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Nonprofit Advocacy and the Policy Process: A Seminar Series
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The Urban Institute’s Center on Nonprofits and Philanthropy (CNP) explores the role and impact of nonprofit organizations and philanthropy in democratic societies. By deepening the understanding of the multiple roles that nonprofits play—as service providers and as avenues of civic participation and public voice—CNP research endeavors to address the relationships among nonprofits, government, and the market from a variety of perspectives.

The Center strives to build the necessary research tools, contribute to sensible theory, and develop applications that illuminate both policy and practice in the nonprofit sector. CNP’s research projects combine qualitative and quantitative data, the theoretical framework of civil society, and practical public policy considerations.

A major component of the Center is the National Center for Charitable Statistics (NCCS), which serves as the national repository of statistical information on the nonprofit sector from the Internal Revenue Service (IRS) and other sources. NCCS’s mission is to build compatible national, state, and regional databases and to develop uniform standards for reporting on the activities of charitable organizations. These data enable researchers to develop a comprehensive picture of nonprofit-sector trends as well as in-depth analyses of financial data.

Together with the IRS and Philanthropic Research, Inc. (PRI), NCCS provides scanned images of IRS Form 990, the financial information report that tax-exempt nonprofit organizations file with the IRS. Information from the scanned images is being digitized to create the most comprehensive and highest-quality database ever available on nonprofit organizations. For information visit our Web site, http://www.urban.org/centers/cnp.html.

Dissemination of CNP research findings includes electronic publications on the Internet as well as policy briefs, working papers, and monographs. In addition to the Nonprofit Advocacy and the Policy Process Seminar Series, CNP holds regular seminars, discussion groups, and conferences to discuss research findings and topics of current interest to the field.

Elizabeth T. Boris is the first director of the Center on Nonprofits and Philanthropy at the Urban Institute and was the founding director of the Nonprofit Sector Research Fund at the Aspen Institute, where she worked from 1991 to 1996. Prior to 1991, she was vice president for research at the Council on Foundations, where she developed and directed the research program for 12 years. The author of many research publications and articles on philanthropy, including Philanthropic Foundations in the United States: An Introduction, Dr. Boris is also coeditor with Eugene Steuerle of Nonprofits and Government: Collaboration and Conflict (Urban Institute Press, 1999). She is active as a board member and advisor to many nonprofits and is president of the Association for Research on Nonprofits and Voluntary Action and the Insights editor for Nonprofit and Voluntary Sector Quarterly.
The Center on Nonprofits and Philanthropy is convening a series of 10 seminars—Nonprofit Advocacy and the Policy Process: A Seminar Series—that examines the current regulation of nonprofit advocacy, proposed reforms, and the impact of regulation on nonprofit contributions to civic and political participation, policymaking, and representative democracy. The series began in February 2000 and will end in December 2001. The papers presented during the seminars, as well as summaries of the seminar proceedings, are being disseminated through a series of four edited volumes.

- Volume I, *Structuring the Inquiry into Advocacy*, published in October 2000, covered the seminars held during the winter and spring of 2000. It introduced advocacy as a concept, examined the structure of nonprofit regulation under federal tax and election law, and discussed the evolving relationship between nonprofit organizations and money-driven elections. This volume has had considerable resonance with policymakers and leaders in the nonprofit sector.

- Volume II, *Exploring Organizations and Advocacy*, includes papers and findings from seminars held during the fall and spring of 2000–2001. Because of the diversity of elements that were discussed during the seminar sessions, this second volume is divided into two parts. Issue 1, *Strategies and Finances*, examines strategies for influencing policy and election outcomes, as well as the ways in which nonprofit organizations fund their advocacy activities. Issue 2, *Governance and Accountability*, examines the internal operations of nonprofit organizations and how their missions, capacity, governance, and constituencies shape their advocacy and their internal and public accountability.

- Volume III includes the findings and papers from the 2001 fall seminars. This volume focuses on constitutional and theoretical frameworks that shape the law and practice of nonprofit advocacy in America, as well as the role of groups in democratic governance today.

- Volume IV concludes the series, summarizing findings from the seminars and listing future research questions generated from the seminar papers and participants’ comments.

The Seminar Series’ publications are posted on our Web site, http://www.urban.org/advocacyresearch. The series is made possible by the generous support of the Robert Sterling Clark Foundation, the Ford Foundation, the Nathan Cummings Foundation, and the Surdna Foundation, Inc.

Elizabeth T. Boris
Director of the Center on Nonprofits and Philanthropy
The Spring/Summer 2000 Series: Structuring the Inquiry into Advocacy

SEMINAR 1  Nonprofit Advocacy: Practices and Perspectives
SEMINAR 2  Regulating Nonprofit Advocacy: The Rules, Rationales, and Practices
SEMINAR 3  Politicians, Parties, and Access in the Policy Process

The Fall/Winter 2000–2001 Series: Exploring the Organizations

SEMINAR 4  Advocacy Strategies and Influence
SEMINAR 5  Financing Nonprofit Advocacy
SEMINAR 6  Representation, Participation, and Accountability

The Spring/Fall 2001 Series: In the States, Across the Nation, and Beyond

SEMINAR 7  Nonprofit Advocacy in the States
SEMINAR 8  Nonprofit Advocacy in Global Perspective
SEMINAR 9  Constitutional Perspectives on Nonprofit Advocacy
SEMINAR 10 Nonprofit Advocacy and Democracy
Executive Summary

Exploring the Organizations and Advocacy, the Fall/Winter 2000–2001 series, examined the operations of nonprofit organizations and their interaction with the regulatory and policy environment, funding sources, and citizens. The papers presented during the three seminars that composed the Fall/Winter series, as well as summaries of the seminar proceedings, will be published in two separate issues: Issue 1, Strategies and Finances, and Issue 2, Governance and Accountability.

This issue, Strategies and Finances, contains the complete text of six papers that were presented during the Fall 2000 series. These papers consider diverse advocacy strategies and the conditions in which they succeed and fail, as well as financing advocacy and the influence of patrons on advocacy activities and strategies. The papers presented in this publication offer a useful analysis that may enlighten the planning and implementation of advocacy activities by nonprofit organizations and raise important questions for funders and policymakers about the trends in financing organizations and political activity.

Summary of Chapters

Effective Advocacy for Nonprofits

Jeffrey Berry, of the Department of Political Science at Tufts University, focuses on three attributes that are vital to effective lobbying by citizen advocacy groups. The first attribute is staying power—the commitment to work “in the trenches” on chosen issues over long periods of time. The second is policy expertise. The third essential attribute is the allocation of scarce resources to staff development and other lobbying resources that will enhance the group’s potential for advocacy. Traditional nonprofits contemplating more involvement in public affairs would be wise to look at the organizational structures of citizen advocacy groups.

Effective Advocacy on Limited Resources

Susan Rees, of the McAuley Institute, bases her paper on research funded by the Aspen Institute Nonprofit Sector Research Fund. Rees shows how lessons from an examination of 12 highly effective national advocacy organizations, some of them among the largest in the country, can be applied to small nonprofits at both the national and local levels. The key is using resources strategically by focusing time and resources on a few issues and a limited number of relationships with important decisionmakers. These relationships, involving politicians and their grassroots constituents, must be built over time and have as their focus a concern for the well-being of local communities. Of additional importance is accurate, timely information that builds a logical case for the particular position an organization is advocating.

“Issue Advocacy” in the 1998 Elections

Jonathan S. Krasno, of the University of Maryland, and Daniel Seltz, of the New York University School of Law, analyze the use of issue advocacy by political parties and interest groups in the 1998 congressional elections. Using data from precise ad-tracking technology in the top 75 media markets, they show that advertisements run by noncandidates—which were not subject to federal campaign finance regulations—mimicked the themes and purposes of the candidates’ advertisements—
which were subject to these regulations. Political parties dominated the category of “issue advocacy.” Both parties and interest groups ventured beyond the “magic words” test in the advertising messages. Krasno and Seltz examine the implications of their findings for campaign finance regulation and for American democracy, concluding that in its current form, the vices of “issue advocacy” outweigh its virtues.

Politicians, Nonprofits, and Opportunities for Personal Enrichment

Marcus S. Owens explores how personal gain remains a very real element of campaign finances. While changes in federal tax and election law, coupled with strengthened Senate and House ethics rules, preclude members of Congress from direct personal use of campaign funds, the situation often changes once the member has left office. Potentially, a former member of Congress can make use of funds from a variety of nonprofit organizations created by trusted friends and business associates for political purposes while he or she was in office. Evidence suggests that these options have been employed in various combinations.

Assessing the Current Data on 501(c)(3) Advocacy: What IRS Form 990 Can Tell Us

Jeff Krehely, of the Urban Institute, assesses the IRS data that are currently available (through the Urban Institute’s National Center for Charitable Statistics) on the advocacy activities of 501(c)(3) charitable organizations. Specifically, he analyzes—from a variety of perspectives—the money these organizations devote to lobbying activities. He also critiques the advocacy-related data resources that are available, with an overview of their strengths and weaknesses. Krehely concludes that a small percentage of charities report lobbying expenses to the IRS and that the amounts spent on lobbying are relatively small, compared with total organizational expenses. Further, legislative activity is concentrated in several states and within only a few broad types of organizations, especially those related to education and health. He also gives a description of data resources currently being developed and how they can be used for improved and more in-depth advocacy research.

Social Movement Philanthropy and the Growth of Nonprofit Political Advocacy: Scope, Legitimacy, and Impact

J. Craig Jenkins, of the Department of Sociology at Ohio State University, traces social movement philanthropy from the early 1950s through 1990. He shows that it has constituted only 1 to 2 percent of total foundation giving, but has had significant impact on political advocacy. Jenkins explores how the issues and constituencies that receive funding have changed over time and the resulting impact on American democracy. Foundations typically place little priority on grassroots organizing and internal democracy; instead, they mold these movements into professionalized structures and encourage less militant tactics. This shift has strengthened the formal representativeness of the American political system, but it has contributed little to democratic participation or descriptive representation. Jenkins concludes that foundations should expand their funding for social movements and place a higher priority on grassroots organizing and internal democracy.
Robert O. Bothwell, of the National Committee for Responsive Philanthropy, examines four trends in philanthropic funding of social justice organizations and what they have meant for democratic policymaking in America. Bothwell concludes with a controversial but plausible argument—that funders created a political dilemma for progressive nonprofits today. Their program-oriented approach to funding mired groups in “policy silos,” preventing these groups from forging a larger vision for public policy change.
Divining the most effective advocacy strategies for nonprofits seems at first glance to be a rather straightforward empirical question. What, precisely, are the necessary resources that organizations must have at their disposal? In terms of both efficiency and effectiveness, how can an organization best mobilize its members or clients? What kind of research and information is most useful to legislators or administrators as they contemplate action on an issue of importance to the group?

Unfortunately, answers to the empirical questions get muddied by value considerations. There is research that identifies the types of resources that nonprofits need if they are to build the capacity to lobby effectively. Yet resources are always in short supply, and proponents for more advocacy must compete with others in the nonprofit who want those same resources to carry out the organization’s substantive mission. If a nonprofit provides services to the poor, and it knows full well that it’s just applying “Band-Aids”, should it expend precious resources that would otherwise go to its clients to lobby policymakers for fundamental change? This is a value judgment. What is our role? How can we do the most good? In short, for most nonprofits, the question is not how best to lobby, but whether to lobby at all.

But even if the questions get complicated because of such trade-offs, they are profoundly important to explore. Questions about advocacy effectiveness are questions about representation. Effective lobbies do a better job of getting their constituents’ voices heard by policymakers. Given the cacophony created by so many competing interest groups in contemporary policymaking, effectively articulating a constituency’s view so that it is actually heard by those in government is no small achievement. Getting a place at the table with policymakers is better yet.

Which Nonprofits?

The term “nonprofits” covers a lot of ground. The American Petroleum Institute is a nonprofit, but it’s not the type of organization that comes to mind when we think about nonprofits in the political world. Yet simply saying we’re interested in 501(c)(3)s, (which excludes (c)(6)s such as the American Petroleum Institute) is not sufficient either. Some citizen advocacy groups eschew (c)(3) status because of the lobbying limitations, and others are hybrids with (c)(3) foundations connected to (c)(4) lobbies.
Leaving aside the complexities of the more than two dozen types of nonprofits defined in the tax code and avoiding a lengthy discussion of nomenclature, let me distinguish two types of nonprofits that are the focus here (Berry 1998). First are citizen advocacy groups. They are not normally referred to as nonprofits because their *raison d'être* is lobbying. Technically they are nonprofits because they are not engaged in profit-making endeavors. More to the point, though, they are an instrumental part of the third sector. Citizen advocacy groups act on behalf of many broad and important constituencies in contemporary political life. Primarily they represent the interests of many middle-class Americans, such as environmentalists, feminists, and consumers, who can contribute considerable financial support to fund these groups’ lobbying activities. Citizen advocacy groups are a small slice—a very small slice—of the nonprofit world, but they are extremely important to study because they demonstrate the potential for advocacy on behalf of the third sector.

The types of groups that the term “nonprofits” brings to mind—foundations, civic associations, fraternal groups, social service providers, charities, youth groups, and the like—are very different kinds of organizations. For lack of a better term, these types of 501(c)(3) enterprises will be referred to as “traditional nonprofits.” They may seem to have little in common with citizen advocacy groups except that both types of organizations fit within the notion of a nongovernmental, nonbusiness “third sector.” Nevertheless, the comparisons between these two broad categories of nonprofits are appropriate because traditional nonprofits are highly involved in community affairs and many interact with government on an ongoing basis. Although few traditional nonprofits may regard themselves as lobbies, they do in fact represent their constituents and clients before government. Thinking about how these organizations can become more effective at that is important.

One more definition is necessary before proceeding any further. Political scientists consider anything a group does to try to influence government as “lobbying.” In colloquial language, lobbying usually connotes an attempt to sway legislators. The terms “Advocacy” and “lobbying” will be used here interchangeably to indicate the broad range of tactics used by organizations—whether they’re avowedly political or not—to influence the actions of any institution of government.

**Powerful Groups**

It’s all too easy to be dismayed by the role of money in politics. Money seems to be of paramount importance in interest group politics, and the ever-growing political action committee (PAC) and soft-money contributions to candidates and parties from large corporations is disturbing. Contributions do influence public policy, but it’s a mistake to believe that the broad sweep of public policy is primarily the result of campaign donations to candidates and parties. Citizen advocacy groups, few of which have affiliated PACs, are surprisingly effective. My recent book, *The New Liberalism* (1999), examines the influence of these groups in a number of different ways. Although political influence can’t be measured with real precision, broad comparisons among different interest group sectors can be made.

The citizen groups examined are primarily advocacy organizations working in the areas of environmental protection, consumer affairs, good government, and the rights
of minorities and women. The vast majority of these lobbies are on the liberal side of the political spectrum. (The intention here was not to study only liberal groups; however, with a few notable exceptions, conservative citizen groups generally do little direct lobbying in Washington.) The research focused only on national-level policymaking, though some of these organizations have affiliates active in state and local politics.

To summarize the findings briefly, liberal citizen groups became increasingly effective in their efforts to lobby Congress over time (from the 1960s to the 1990s). Indeed, their legislative success compared favorably with that of business, and they easily eclipsed labor as the most important set of lobbies on the left. In the broadest measure of influence, the content of the domestic agenda of Congress at three points in time was analyzed. All the issues for which committee hearings were held and that received at least a modicum of press coverage constituted the main database (N = 205 issues). Issues were coded as either material or postmaterial. Material meant that all interest groups involved on an issue were advocating only positions that would improve their members’ profits or standard of living. Postmaterial meant that at least some groups working on an issue were lobbying for quality of life concerns. Typically, these concerns involved environmental controls, consumer protection standards, or concerns about the rights or status of some segment of the population. In 1963, only a third of all issues had a postmaterial component. The other issues were exclusively focused on how to divide up some economic benefit to business or unions. By 1991, issues with a postmaterial side grew to two-thirds of all domestic issues before congressional committees. Given that the hearings constitute virtually all of the significant domestic social and economic issues confronting the House and the Senate in a single year, this is an impressive change in the nature of the congressional agenda.

An examination to determine which groups were pushing these quality of life issues revealed citizen groups like the Sierra Club, the Consumer Federation of America, and the National Organization for Women. Was it citizen groups that put these issues on the agenda? Their advocacy was not the only reason—change in values, public opinion, and the efforts of sympathetic legislators and executive branch policymakers were significant too. Nevertheless, the citizen groups’ advocacy was critical in generating attention for their issues and in getting the Congress to consider legislation. In comparison with the baseline population of all interest groups in Washington, citizen groups were greatly overrepresented in terms of participation in the legislative process and in the press coverage they received. Moving from agenda building to policy outcomes, the evidence is equally impressive. The bills the citizen groups backed passed at the same rate as all other legislation. When they went head-to-head against business in policy conflicts, citizen groups won their fair share of the time. In short, these are powerful lobbies that are a force to be contended with in Washington politics.

In contrast, traditional nonprofits working in Washington on national issues are minor players. They are not major influences in agenda-building, and their participation rate is among the lowest of all types of Washington lobbies. In 1991, 32 percent of all congressional testimony was offered by citizen advocacy groups, even though they are less than 7 percent of the interest group population. In contrast, a residual “all other” category, which encompasses traditional nonprofits but is not restricted to them, constituted only 5 percent of all interest groups testifying before Congress. On the TV network news, citizen advocacy groups received a rather
astounding 46 percent of all references to interest groups. The “all other” category received just 5 percent. Even if traditional nonprofits populated all of this residual “other” category, they receive only one mention for every nine of a citizen advocacy group.

Effective Advocacy

The success of citizen advocacy groups did not come easy. They were not welcomed with open arms by policymakers; they had to push their way in. Fortunately, the boundaries of policymaking communities are much more porous than the stereotypical iron triangle. Aggressive, resourceful citizen groups can find allies in the system and a place at the bargaining table. The failure of traditional nonprofits to seize a seat at the table in Washington surely reflects the way they define their mission, rather than an inability to influence policy in spite of a concerted effort. They are obviously involved on some issues before government, but Washington lobbying does not appear to be a major priority.

Since generations of interest group scholars and journalists have told us that national policymaking is dominated by business, what explains the surprising success of citizen advocacy groups? And what lessons can be learned from citizen groups that might be passed on to traditional nonprofits wishing to augment their substantive mission with more involvement in public policymaking? Three attributes appear to be of central importance to the success of these lobbies.

Staying Power

Although lobbying is often portrayed as a backroom process where the influential cut deals in secret, it is typically a much more open and mundane activity. Issues don’t pop out of nowhere. As Nelson Polsby (1984, 5) put it, “policy [does not] appear out of the sea like Botticelli’s Venus—dimpled, rosy, and complete on a clamshell.” Policymaking is incremental, usually moving in small steps. New proposals commonly go nowhere at first; if action does come, it may be many years after advocates first brought forth their plans. In the last year of the Clinton administration, the U.S. Forest Service proposed to stop the building of new roads in the national forests. Financially, it could not maintain the roads that were already in the forests, and it believed that the return on its investment for the additional timber sales that would be enabled by new roads would be wholly inadequate. Environmental groups, some of which had worked hard on this issue, were thrilled because road-building in the forests degrades the environment in many different ways. But as one lobbyist explained recently in an interview, “The issue of roadless national forests has been out there for a very long time. It goes back in a way to RARE-I [1976] and RARE-II [1978] as to what qualifies for wilderness.”

This particular case illustrates the stability of policymaking in America. Stability is not the consequence of static interest group politics—the rise of liberal citizen groups suggests otherwise. Rather, it refers to the long-term, evolutionary nature of public policymaking. In an ongoing study of national policymaking, my colleagues and I have found that a major cause of stability is that it is extremely difficult for issues to be redefined over time. We note that:
Almost all lobbying takes place concerning the expansion, restriction, or modification of an existing government program. Coalitions line up almost automatically based on their support or opposition to the program in question, and these coalitions are rarely new. . . This is the trench warfare of the lobbying process, and it is not the stuff of high rhetorical flourish (Baumgartner et al. 2000, 12).

What are the implications of this stability for interest groups? The message is straightforward: If lobbying amounts to “trench warfare,” then stay in the trenches. Metaphors aside, effective lobbying is strongly correlated with a willingness to stay with an issue not just when it’s hot, not just for a session or two of Congress, but on an ongoing basis. This may seem difficult to do because lobbies have far more issues to deal with than they have resources. All too frequently they fight fires, rushing from one emergency to the next. Nevertheless, liberal citizen groups have done an extremely good job of maintaining a stable, focused presence on the same set of issues. They have defined niches for themselves and devoted ample resources to continuing to work the issues to which they’ve attached themselves. Persistence has its rewards.

Expertise

A willingness to stay the course and continue to work on the same set of issues as they evolve over time is clearly related to lobbying success. But why? At the simplest level it is a matter of devoting resources. Researchers have found that merely having an office in Washington is an advantage (Heinz et al. 1993). The larger value of an organization having its own lobbying office rather than relying on a law firm or a public relations firm on retainer is the development of expertise. For congressional staffers and agency policymakers, expertise is the coin of the realm, and those who want to lobby them need to use the same currency. Given the technical complexity of many of the issues that face us today, expertise can only be growing in importance for Washington lobbyists.

Expertise is the key to attaining credibility, an attribute highly coveted by interest groups. By definition, interest groups are not neutral: They’re organized to pursue some set of policy goals reflecting the basic values of their members or constituents. Still, lobbyists and other interest group employees want to convince policymakers and journalists that the information and data they present are not biased. There is no one way of proving that your set of “facts” is more credible than the “facts” presented by the other side, but there are a couple of key strategies for enhancing a group’s credibility. The first is to develop a staff of employees who are able to specialize on the same issues for an extended period. The second is to emphasize research. Beyond just having a staff that can talk the talk with government staffers and policymakers, the organization will find it valuable to invest resources in the development of original reports based on high-quality, sound research.

The liberal citizen groups have pursued this strategy with great success. Comparisons made between citizen groups and all other types of lobbies revealed that the liberal groups are exceptionally impressive in their ability to attract press attention. As already noted, compared with their proportion in the population of interest groups, they are significantly overrepresented in the degree to which they gain coverage on network television news. A different measurement during 1995 recorded
all instances of some kind of research being cited in domestic policy stories in the *New York Times* and the *Wall Street Journal*. Government was the biggest source of research cited by reporters, gaining 31 percent of all mentions. Citizen groups—again almost exclusively liberal citizen groups—scored 19 percent of all citations. Thus, roughly one-fifth of all references to research in these two prestigious and widely read papers came from citizen lobbies. By comparison, corporations scored 9 percent, trade associations 3 percent, labor unions 1 percent, and professional associations 1 percent.

The same pattern was repeated in the documentation of which lobbyists were quoted in the print media on the 1991 issues in the congressional hearings database. (In contrast, the 1995 newspaper data came from any domestic policy story that year.) Of all lobbyists for any kind of organization quoted by the *New York Times*, the *Wall Street Journal*, and *Congressional Quarterly*, fully 46 percent came from citizen lobbies. Again, this means that less than 7 percent of the groups in Washington are sought after almost half the time when a reporter wants to cite an interest group expert or leader.

Journalists’ descriptions of research and their quotes from lobbyists are hard measures of credibility and leadership. Reporters choose which groups they write about; they don’t randomly select lobbyists and research reports to feature in their articles. As they develop expertise themselves as they work a beat, reporters make judgments about who are the most knowledgeable people working in the policy areas they’re covering. Liberal citizen lobbies have invested in expertise in the people they hire, often lawyers and Ph.D.’s. Although there are no recent data on this, citizen advocacy groups appear to place less emphasis on prior government experience when hiring lobbyists than private lobbies do, emphasizing technical knowledge gained from education and other careers.

Reference has repeatedly been made to allocating resources for long-term commitments to issues and to the development of policy expertise. Referring to resources is really a shorthand for a range of strategic decisions about how to structure an organization. Lobbies are like small businesses. Decisions have to be made about how to generate the greatest earnings from the capital available for investment. The critical decisions are about both how much revenue is invested on the advocacy side of an organization and how the advocacy dollars committed are allocated among competing units and tasks relating to lobbying.

This may seem rather straightforward and needing little explanation. Yet groups, public and private sector, differ dramatically in how they structure their advocacy operations. Among citizen groups the most striking difference is between the ways liberal groups and conservative groups spend the money available to them. Liberal groups have built substantial Washington offices, with many lobbyists and researchers on staff. Conservative groups have opted for small Washington offices and have placed considerably less emphasis on direct lobbying of Congress and agencies. Instead, they have focused on building up their memberships through direct mail and on grassroots letter-writing to legislators. At the height of its notoriety, the Christian Coalition employed only three full-time lobbyists in its Washington office. Much of
the money that the Christian Coalition and other conservative citizen lobbies ostensibly spend on grassroots lobbying is largely for direct mail fundraising letters.

The difference between the way conservatives and liberals have organized their lobbies has a dramatic effect on the level of involvement of these groups in the public policymaking process. For the 1991 cases involving social and economic domestic policy, liberal citizen groups were active on fully two-thirds of all such issues before Congress. Conservative citizen groups were active on just 4.5 percent of all issues. For too many conservative citizen lobbies, the organization is a personal vehicle for a crusading leader. Jerry Falwell, Pat Robertson, Grover Norquist, Paul Weyrich, and Gary Bauer are among those on the right who saw their personal relationships with Republican party leaders as the key instrument for their organization’s lobbying. In contrast, those heading liberal organizations built bureaucracies. That is, they gave thought to constructing organizations that do not depend on the visibility or entree of any one individual. The liberals invested in expertise and built capable support staffs for research and communications. Their investment has had a high payoff.

Traditional Nonprofits

What relevance does any of this have to typical community-level nonprofits? Traditional, community-based nonprofits don’t appear to have much in common with Washington-based organizations whose primary mission is to lobby legislators and administrators. Traditional nonprofits are likely to define their mission as strictly nonpolitical; citizen advocacy groups, just the opposite.

Yet there is a commonality far more important than their connection to section 501 of the federal tax code. Both seek to serve constituencies that are otherwise underrepresented in the interest group system. Even if traditional nonprofits do not see themselves as the political representatives of the constituencies they serve, the vast majority of them do interact with government. A significant proportion interact with government on an ongoing basis. What is vitally important is that traditional nonprofits are on the front line providing services to the poor, the disabled, those with debilitating diseases, minorities, and youth: the most underrepresented segments of our political system. In contrast, citizen advocacy groups tend to represent middle-class constituencies. They do a superb job of voicing the concerns of environmentalists, but relatively few of these groups are advocates for the poor, the homeless, or the disabled.

The vital importance of traditional nonprofits needs little elaboration here. The question facing traditional nonprofits, though, is whether to redefine and enhance their lobbying efforts. For some nonprofits the question is actually whether to begin lobbying at all, as they currently eschew political involvement. Resources are so precious and so scarce that most nonprofit leaders will recoil from the idea of making a new concerted push in the direction of more lobbying. Most probably regard government relations as just one of the many duties of senior staff and do not believe that the organization can do more of it without taking resources away from some substantively important service.
With David Arons of Charity Lobbying in the Public Interest, I am currently engaged in research on how traditional nonprofits are involved in the political process. It is too early to offer any firm conclusions, but preliminary analysis suggests that those nonprofits that organize themselves to facilitate interaction with government find an open and accepting political system. That is, they find local government officials eager to hear their views. For example, nonprofits that have someone assigned to government relations are more than four times as likely to have government frequently initiate contact with the organization than nonprofits that don’t assign someone to the task. The ideal lobbying for any kind of organization, whether it’s an oil company or an elementary school’s PTA, is for government to come to them. The most wide-open door of all is the phone call from someone in government saying “Let’s get together,” “Could you take a look at these regulations and get back to us?” or “Would you be willing to serve on our advisory panel?” Nonprofits that consciously organize for government relations frequently get such calls.

The American political system is not closed off to all but the powerful, and public officials are responsive to those without PACs. Even so, organizations have to make the commitment to be organized for action. Traditional nonprofits contemplating more involvement in public affairs would be wise to look at the organizational structures of citizen advocacy groups.

REFERENCES


What is effective advocacy? But more important from the point of view of a practitioner, how do you do effective advocacy? How do you do it with relatively few resources? How do you do it when your larger mission is to serve—directly serve—the needs of the poor? How do you do it when, unlike business associations, you are prohibited under the law from working to elect policymakers who share your point of view on matters of policy?

These are the questions confronting the policy and research staff of the McAuley Institute, a national housing organization that primarily provides financing and technical assistance to nonprofit housing developers across the country. To help answer these questions, this chapter draws from lessons I learned as an independent researcher. Several years ago, a grant from the Aspen Institute Nonprofit Sector Research Fund allowed me to study national organizations that were highly effective in influencing public policy at the federal level (Rees 1998). This chapter describes that study and illustrates how four major lessons from that analysis can be adapted to a relatively small nonprofit.

The study identified a group of highly effective advocacy organizations and profiled them using a written questionnaire, interviews, and analysis of the content of their lobbying and policy materials. The sample is based on a survey of members of Congress (through their highest legislative staff) about which organizations they considered the most influential nonprofit advocates in six selected issue areas. (Besides the entire Congress, the survey included a small number of executive branch officials.) Organizations listed as choices had been identified preliminarily through an open-ended survey of 72 majority and minority staff directors of congressional committees and subcommittees with jurisdiction over the issues. The two most frequently mentioned organizations in each issue area became the subjects of the main body of the study.1

Interestingly, several funders have since asked about using this approach as a method of evaluating the effectiveness of their grantees who are doing policy work. However, my response is that the methodology is less useful for that purpose. First, for practical reasons, it is increasingly difficult to get congressional offices to respond to surveys. The 23 percent response rate of the 1998 study was relatively strong, better than the one Fortune magazine obtained a year earlier. But more important, such a survey could have the effect of meddling in their grantees’ very carefully and delicately constructed relationships on Capitol Hill. Furthermore, nonprofits should have
the right to define for themselves the outcomes on which they should be evaluated. In addition, the purpose of the study was only to identify a set of organizations to examine. While they were identified as highly effective, others were too, and certainly many others, some of them smaller and less well-known, do effective public policy.

In the case of advocacy, the best evaluation relates to progress made on the path to policy change. Metric progress and not final attainment of an objective is key here, because policy change almost always comes incrementally over a long period of time. And if the change advocates are seeking is the least bit radical, progress is not possible without a dramatic change in the makeup of Congress, which, in turn, usually follows a dramatic change in public opinion.

In this regard, a striking fact is that only one organization official in the study believed that getting an issue into the popular culture was an important strategy for influencing public opinion. It had always seemed to me that the tide never turned against the war in Vietnam until antiwar sentiment permeated every nook of popular culture: movies, music, cartoon strips, and TV shows. Something similar happened more recently with the patients’ rights issue when the popular movie *As Good As It Gets*, starring Jack Nicholson and Helen Hunt, resonated with a public that had become increasingly frustrated in getting health services from HMOs. Even if no interest group had a hand in writing that script, politicians certainly sat up and took notice of the issue after the movie won an Academy Award in 1997.

Only two of the organizations studied, the Concord Coalition and the Sierra Club, said that their basic strategy was public education as opposed to direct advocacy. Only three had political action committees—the American Medical Association (AMA), National Federation of Independent Business (NFIB), and the Sierra Club.

So, the typical organization in the study did not concentrate its efforts on molding public opinion so much as on shaping its message to existing public opinion. As a practical matter, it is beyond the means of even fairly large nonprofits to think they can reach the critical mass required to change public opinion. This is not to say that a lot of Washington people today aren’t searching for that elusive “tipping point” on their issues.

**Relationships**

In the absence of effective mass movements and social awakenings, then, the strategy of choice for nonprofits has remained the time-tested one-on-one relationship. All of the organizations studied had a presence, a strong presence, in Washington. Very often, such a presence takes the form of one-on-one relationships between policymakers and their staffs and the staff, officers, and members of the nonprofit organizations. This was true even for those like the Christian Coalition and Sierra Club, which emphasized grassroots mobilization.

To begin with, most of the organizations (70 percent in the study) employ people with government experience, usually former Hill staffers. This practice brings with it not only ready-made personal relationships but expertise on substantive matters and the legislative process. People who have worked on the Hill know instinctively who will be doing what and seeking what kinds of information as a bill wends its way
through the process. The NFIB assigns its lobbyists to make regular contact with the same congressional offices they were familiar with in their jobs. The Center on Budget and Policy Priorities, which has employed former committee staff directors with expertise on its issues, is scrupulous about maintaining the trust and confidence of its contacts in Congress.

Grassroots Relationships

After staff relationships, effective organizations take every opportunity to bring their members into direct contact with policymakers and their staffs through personal visits, phone calls, testimony at hearings, and events back home. One high-powered example is the Center for Strategic and International Studies (CSIS), which does much of its work through study commissions in which bipartisan leaders from Congress sit with CSIS members from business, academia, and think tanks to examine issues in depth over a period of time and arrive at a consensus on recommendations for policy change.

The McAuley Institute’s small policy department, which until recently consisted of only one person, is trying to emulate these examples of relationship-building. It has hired two legislative staff members with extensive experience in housing policy and many long-standing relationships on the Hill through previous work with other nonprofit advocacy organizations. The staff’s time is spent strategically, looking for a niche from which to get the maximum impact from limited resources. For example, McAuley’s policy staff has worked with committee staff to write language for a new housing program to assist women fleeing domestic violence. Committee chairs have since integrated this provision into more sweeping legislation to reauthorize the Violence Against Women Act. (At McAuley, the major emphasis is meeting the housing needs of poor women and their children.)

On the constituency side, the staff has decided to work with clients in the field to build ongoing, close relationships with their representatives in Congress. Because McAuley favors very intensive relationships with frequent three-way communications among its staff, clients, and the policymakers and their staffs, initial efforts will focus on 30 senators and representatives over a three-year period. These senators were selected from among those who hold key committee positions on related issues or who are often swing votes when social issues come to the floor.

The theory is that strong relationships with relatively few members chosen for their strategic importance can have more impact than superficial relationships with hundreds of policymakers or even entire committees. It is standard practice for Washington nonprofits to make undifferentiated appeals to their field networks to write letters and visit their members of Congress at home. McAuley does that too, and sends biweekly background information on issues to hundreds in our network who have committed to contacting their representatives at least twice a year. But, beyond that, without hands-on involvement, appeals to “contact your representative” become a hit-or-miss proposition. The messages, even when sent, can easily fall on deaf ears unless the number coming in to any one office swells to a certain critical mass.

Members of Congress and their constituents do have a mutual interest, and that is the well-being of people in the community. They may have different reasons for
caring. Our organizations’ reasons are usually altruistic. A member of Congress knows that the better off his or her constituents are—and the more they associate that well-being with his or her work in Congress—the more likely he or she is to get their votes.

Most of the organizations McAuley works with are small, fledging, and women-led. This is our market niche among national housing intermediaries. They are what Jeffrey Berry would define as “traditional nonprofits”; that is, they are small, ever conscious of directing scarce resources to the poor, and reluctant to take on public policy advocacy. In developing these relationships with members of Congress, however, we have found that women nonprofit leaders, in particular, are quick to grasp their importance and enter into them. Perhaps this willingness grows out of women’s approach to community work, that is, seeing it as people-centered and defined mainly by relationships.

The first woman McAuley engaged in this kind of relationship with her elected representative heads a small neighborhood organization in the South that builds housing for African-American seniors living in extremely dilapidated conditions without the most basic facilities. Since the first meeting that was arranged between her and her representatives in Washington, her two senators and representative have become supporters. One of the senators has become a sort of champion. He has proposed special project funding for the organization’s plans to build a “senior village,” which will provide seniors with new housing ranging from apartments to assisted living units and a nursing home. This senator has portrayed the plan as a national model and has invited the director to participate in forums he has sponsored on senior living and health care. Her other senator and the district’s representative in the House, a conservative Republican, supported the $500,000 special project, which ultimately was funded in the Department of Housing and Urban Development (HUD) appropriations bill.

What does this mean for the McAuley Institute? It means much more than desperately needed resources for one of the organizations we work with. It means that one client, along with her board members, has gotten to know her congressional representatives, and several members of each of their staffs, through a variety of meetings and discussions over a one-year period. McAuley’s staff in Washington has played a large part in keeping the ball rolling for this project. As a result, McAuley will likely get a warmer reception than it otherwise would have when going to these offices looking for support on some other matter or a vote on some other housing bill. We hope that by getting to know this one local organization and its work, these representatives have gained a greater appreciation for the housing and community development field as a whole.

McAuley never expected these relationships to revolve around federal funding for organization projects, and staff members still don’t. Instead, we believe that citizen groups can talk to their elected representatives about anything that is happening locally or any enterprise the representative is involved in. Did he or she give a speech or make a comment in the press that local constituents would be proud of, or disagree with? If informed of what their representatives are doing and saying, they can react, and through reacting, give their representatives feedback on how constituents view the job they are doing. Is there important new information about change in local demographics, school policies, and local politics? Members of Congress likely would be
interested and could use that information. Are local residents benefiting from a government program that, say, helps lower-income people buy homes? We say let federal representatives know about it whenever there is something to point to, not just when the program comes up for a vote. It is by communicating about these kinds of things, month after month, year after year, that strong relationships can develop.

Expertise

The study included content analysis of materials and Web sites of the organizations deemed effective policy proponents. It also drew from a review of letters to Congress, press releases, fact sheets, longer studies, and membership communications such as newsletters and magazines. Specifically, the study identified the types of information and arguments employed in communications directed at policymakers.

The most common topic was somewhat surprising. It was simply an explanation of the provisions contained in the legislation at hand. It was not elaborate research on, say, economic or social conditions, but information that was intrinsic to the legislation itself. Often the organizations would go on to explain how each provision, or selected ones, would affect their members or a particular demographic group, geographic area, industry, or social institution. But most often the materials laid out, in nontechnical language, how a bill would change the status quo under current law.

It is not surprising that this would constitute a valuable service to congressional offices, which today are highly specialized on the issues of interest to the member, either based on committee assignments, personal interests, or the makeup of the district. The advocacy organizations’ analysis of legislative issues usually covers more than what you will ordinarily find in even the most policy-oriented mainstream media such as the New York Times, Washington Post, or Wall Street Journal. They often go further than the publications that specialize in covering policy and Congress. And, either directly or indirectly, these analyses can inform members and their staffs about who supports and who opposes a bill or particular provision. In policymaking, the who is often as revealing as the what. When our staff recently visited offices to discuss the contents of a wide-ranging, newly introduced housing bill, staffers, even those familiar with housing policy, eagerly greeted our two-page fact sheet outlining the provisions that gave us concern.

The analysis found five major categories of arguments that successful nonprofit organizations made to make their cases for or against legislative proposals.

The most common was to cite economic costs or benefits attributable to the proposed change. Many programs and policies are promoted on the grounds that they will prevent the need for larger government expenditures in the future or that they will generate more economic growth and benefits than they will cost. One of the most extensive examples of this type of argument was a 10-page fact sheet produced by the American Israel Public Affairs Committee (AIPAC) naming, for each state, the towns, companies, agricultural producers, and universities that benefit from foreign aid grants and contracts.

In constructing such an argument for subsidized housing, a useful cite might be the 1999 study, The State of the Nation’s Housing, by Harvard’s Joint Center for
Housing Studies, which concluded that housing “contributed significantly to its [the economy’s] growth” in 1998, boosting revenues to businesses and state and local governments from home-selling activity by 17 percent. To bring the issue closer to home for members of Congress, estimates of housing-related growth at the state or even county level would be pertinent. On the cost side, there is the study by two pediatricians from the Boston Medical Center documenting children’s health costs related to housing (Sandel, Sharfstein, and Shaw 1999).

The second most frequently used argument is to appeal to horizontal or vertical equity, the government’s obligation to try to treat similarly situated persons similarly and to at least level the playing field for those lower in the economic structure or disadvantaged by social or environmental conditions beyond their control. In the study, the AMA even argued against a proposal on the basis that it burdened doctors more extensively than other health professionals. The Children’s Defense Fund, Center on Budget Priorities, Conference of Mayors, and others often base their analysis on the benefits a program would bring to poor children or families.

In housing, observers frequently allude to the vast differential in the government’s treatment of higher-income households by way of the tax code and the lower-income families that receive most of the benefits from federal housing programs. In 1999, total HUD spending was $33 billion, compared with the $115 billion that the government gave in various tax breaks to homeowners and investors.2

A third line of argument can be labeled as political because the examples refer to the weight of public opinion (as shown through polls, for example), constitutional principle, legal and congressional precedent, and certain concepts embedded in the American tradition. More organizations in the study used public opinion polls to bolster their arguments than any other methods of showing political support for their positions.

Polling is an area in which small nonprofit organizations are often at a great disadvantage because they do not have the resources to pay for national polls. In contrast, the NFIB surveys its 600,000 members five times a year, sending the results, including a breakout by individual districts, to members of Congress. Small nonprofits can and do cite national polls conducted by others, but there is little to draw from on issues like housing.

Akin to informing policymakers of public opinion on an issue is the practice of identifying major organizations, institutions, or sectors that support or oppose a policy. In letters to Congress, a number of organizations studied did this, particularly if they believed more lawmakers would be swayed by the association than turned off by it. The Christian Coalition, for example, might point out that a bill it opposes is supported by the National Organization of Women. The Sierra Club would point to opposition to one of its causes by “vested interests.”

A version of this strategy, the sign-on letter, is very common among coalitions of nonprofit advocacy groups working for housing and other social causes. The Campaign for Housing and Community Development Funding, for example, last year sent the administration and Congress a letter signed by 1,500 organizations in Washington and around the country asking for greater spending for HUD programs. Accumulating names on these “petitions” becomes easier, faster, and cheaper as increasing
numbers of nonprofits become linked electronically. The McAuley Institute, besides helping gather signatures on major housing issues, participates in sign-on letters to show support for a wide range of issues.

Program quality and effectiveness was the fourth largest category of reasoning. When the issue is not about resources for a program, organizations try to build the case that certain changes will, for example, reduce fragmentation, enable a program to reach more eligible participants or target poorer participants, lower program costs, or simplify a process. In housing programs, for example, we might discuss ways to make housing vouchers more useable in tight housing markets.

With a few exceptions, the content analysis found few loaded words and little empty rhetoric, especially in communications aimed at policymakers as opposed to grassroots constituents. In letters to Congress, the Christian Coalition did call one proposal “evil” and frequently referred to what it believed was “morally right,” “Christian,” or supportive of “traditional values.” The Children’s Defense Fund (CDF) called the lack of childhood health coverage a “national scandal,” and the Center on Budget and Policy Priorities termed one proposal particularly “harsh.” In housing, we might refer to Isaiah’s admonition to “bring the homeless poor into your house.” By and large, though, the thrust of letters to Congress is to lay out a rationale and supporting evidence for an organization’s policy proposals.

Materials written for policymakers in particular were usually devoid of rhetoric and loaded words. The organizations outlined the reasons they believed Congress should support or oppose a bill rather than saying, “vote this way because my way is right.” The only real exception was the Christian Coalition, which frequently would urge a particular vote on the basis that it reflected “Christian values” or was “morally right.”

Focus

None of the organizations in the study could be described as strictly “single issue” organizations, yet most of them did try to focus their resources on one or two legislative priorities at a time. The two with the most narrowly defined agendas, the Concord Coalition, whose aim was a balanced budget, and AIPAC, whose goal was support for Israel, estimated that they spent 75 percent of their resources on their top priority. The average spent on top priorities for all the organizations was 37.5 percent, a significant amount considering the range of concerns that, say AARP has for seniors and the League of Cities for the country’s municipalities.

In 1997, the Children’s Defense Fund devoted approximately 75 percent of its resources to its successful campaign to pass the Child Health Insurance Program, the most significant expansion of health care coverage since enactment of Medicare. This contrasts to earlier years when CDF emphasized maybe 10 out of the 20 issues on a wide-ranging agenda for children.

As many directors of small policy departments will attest, the importance of this kind of focus cannot be emphasized enough. It’s important to be supportive of other organizations that take the lead on all kinds of policies to support the income, health,
and education of women and families. But to maintain expertise and influence, McAuley has had to limit its policy agenda to only three legislative priorities last year and seven this year.

Lessons from both research and experience show that effective policy advocacy is built primarily on information and relationships. This is true for large, well-known advocacy groups and trade associations whose influence is recognizable. It can be equally true for smaller nonprofits, including those that are based locally, if they define a niche for themselves, pay close attention to relationship building, and use their resources strategically. Seen this way, public policy becomes a mosaic whose overall design is composed of many large and small pieces contributed by a wide array of interests.

NOTES

REFERENCES
“Issue Advocacy” in the 1998 Elections

JONATHAN S. KRASNO AND DANIEL SELTZ

Just as television has become an increasingly important part of our lives over the past few decades, it has also become an increasingly important part of modern political campaigns. Today, television advertising is the preferred means of communicating with the public for many candidates, depending on their budget and the nature of the media market in which they are running.1 Perhaps even more significantly, television advertising has become a marker by which to judge the seriousness and viability of a candidate. A contender who does not air commercials runs the risk of being written off as a long shot by journalists in all media.

In the last few election cycles, television has begun to be used not only by candidates, but by parties, interest groups, corporations, and labor unions. This development has come about slowly after a relatively long period in which candidates largely dominated campaigning. Candidates’ preeminence had been helped along—but not created—by two separate sets of laws. The first is a pair of federal laws that barred corporations (since 1907) and unions (since 1947) from using funds from their treasuries to engage in electioneering or directly supporting candidates. The second, the 1976 amendments to the Federal Election Campaign Act (FECA), limited parties and interest groups to making contributions to candidates and making independent expenditures for candidates. Furthermore, parties and groups, like candidates themselves, could receive funds only in relatively modest amounts from individuals and political action committees (PACs) (which aggregated individual contributions).

Both sets of laws have been circumvented with increasing ease in the past six years. The key development has been parties’ and groups’ ability to define many of their activities as non-electioneering, effectively placing them outside of the strictures of FECA and earlier bans on corporate and labor involvement in politics. Most notably, these non-electioneering activities include so-called “issue advocacy”: ads theoretically focused on a particular issue rather than an individual, typified by commercials asking viewers to call a political candidate to protest the candidate’s stand on an issue. Advertisers claim that by avoiding use of such verbs as “vote for,” “defeat,” or “support,” their appeals are fundamentally aimed at informing viewers about a particular issue, not advocating for or against a particular candidate.2 Although these appeals rarely refer to specific pieces of legislation and most frequently appear in the days leading up to an election—not during times Congress is most active—courts have generally ruled against attempts to bring issue ads under
campaign finance laws, including provisions that require public reporting of this spending (Moramarco 1999).

The result of this regulatory opening has been an explosion of undisclosed spending on so-called “issue advocacy” by parties, corporations, unions, and interest groups, along with an assortment of unknown organizations often born out of wrinkles in the tax code, like the recently banned section 527 groups. This chapter uses a remarkable new source of data to examine issue ads run hundreds of thousands of times during the 1998 campaign, comparing them with the commercials sponsored by candidates. Our results show that the category of “issue ads” was dominated by the political parties in 1998, and that these ads—especially those by the parties—are indistinguishable from electioneering in many ways, except in tone. We conclude by discussing various ways in which the regulatory challenge they represent may be met to serve the public interest while still protecting the ability of noncandidates to engage in genuine issue speech.

Methods

Despite the intense attention that issue advocacy received in 1996, the lack of disclosure has led to strikingly little empirical analysis of its exact scope or content. The Annenberg Public Policy Center published an informative report following the 1996 elections on issue advertising and a content analysis of a limited number of issue ads following the 1998 election, and it continues to profile interest groups that advertise on the radio and on television. Both Annenberg reports highlighted the groups that sponsored ads, an especially useful service given the emergence of new organizations in each election cycle seemingly created only to purchase advertising. Both reports used groups’ often unreliable self-reporting—some groups have been known to give inflated estimates of their spending plans and some to underreport to the press—and contemporary press accounts of these ad buys to estimate interest group and party spending. Other studies, including work by a group of scholars working with Professor David Magleby of Brigham Young University, have relied on case studies to analyze issue advocacy in a sample of competitive congressional races (Magleby 2000).

For this project we relied on a much broader, more precise, and more standardized measure of advertising than estimates and limited case studies. With the support of the Pew Charitable Trusts, we analyzed a remarkable data set from Campaign Media Analysis Group (CMAG). CMAG’s parent company, Competitive Media Reporting (CMR), tracks commercial advertising in the top 75 American media markets on the networks and national cable stations, and CMAG tracks noncommercial advertising—from campaign appeals by candidates, parties, and interest groups, to true issue advertising, to public service announcements, such as anti-drinking-and-driving campaigns. The top 75 markets reached about 80 percent of households in the United States, but the resulting data set contains commercials from fewer than 80 percent of the House and Senate races in 1998. Instead, “just” 194 House and Senate races are covered. The reason is simple: Many House candidates did not broadcast television commercials. That is particularly true of House candidates in the largest, most expensive media markets. The resulting data set, nevertheless, is the
most comprehensive source of information about political campaigns and contains 50 races in which the candidates, parties, and interest groups combined broadcast more than 1,000 ads. CMAG captured more than 300,000 airings of 2,100 separate ads in 1998. Ads from nonfederal races and ballot initiatives were excluded.

While campaign finance laws may allow differential levels of reporting by candidates, parties, and interest groups depending on their ability to disguise their appeals as issue advocacy, the CMAG system recognizes no such niceties, logging every political commercial regardless of sponsor and legal category. As a result, a major strength of the CMAG database is that it contains information on spots aired by the candidates and information about the spots aired by their allies.

CMAG’s technology provides two pieces of useful information about television advertising: information about each individual airing of every ad (broadcast data) and information about the text and visuals of each ad. The first data set includes the date and time an ad was broadcast; its length; the network, station, and show on which it appeared; the media market; the average cost of air time during this time; and more. Additionally, for each separate commercial, CMAG downloads a “storyboard,” which includes all the audio and every four seconds of video, allowing for detailed content analysis of the entire set of ads run in the media markets tracked.

The scope of the CMAG data allows scholars to examine national patterns and to recreate the campaigns, both on the national level and in separate races, as they unfolded. Although this chapter details a limited number of basic, mostly national findings, the data allow for almost endless inquiry into every aspect of television advertising in 1998. When does a candidate go negative? Do different advertisers appear to coordinate their activities, or do candidates and their allies purchase their advertising for the same periods? Do parties raise different issues in different regions of the country? And so on.

From this expansive set of questions we viewed several issues as most pressing. Certain policy questions around potential regulations for sham issue ads, for example, have been debated without empirical evidence. So-called “issue ads” by parties and groups have not been carefully compared and contrasted, either with each other or with candidate ads. These findings can fill the empirical void in policy debates about issue advocacy. The percentages below are based on number of airings: By treating each time an ad was broadcast as the unit of analysis, we are able to give appropriate weight to the frequency in which a commercial was shown.

Findings

Several different categories of noncandidates engaged in issue advocacy in 1998. Well-established groups such as the AFL-CIO and Sierra Club ran ads connected to the election, while groups such as the Business Roundtable ran genuine issue ads, which did not name candidates but focused on an issue, such as free trade. Other, less familiar groups, such as the Committee for Common Decency and the Committee for Fairness, appeared in 1998 and remain somewhat mysterious, funded by anonymous donors. There were even signs of presidential politics in 1998 conducted through issue advocacy. For instance, Lamar Alexander created a group in Virginia, “We the
Parents,” which sponsored ads featuring Alexander addressing various topics that appeared in just two states, Iowa and New Hampshire.4

But by far the most dominant noncandidate advertisers were the major political parties, as table 3.1 shows.

Although candidates have complained that the rise of issue advocacy has threatened to take away their control of the message of their campaigns, this table shows that in the aggregate, candidates still dominate campaign discourse. Among noncandidates, though, the parties accounted for two-thirds—about 37,000 out of 58,000 of all unreported “issue ads” aired—and even outspent their own candidate in at least 12 separate races (11 Republicans and 1 Democrat). Michigan’s 8th Congressional District, a closely watched open House seat this year, provided a particularly striking example of the degree to which parties can dominate televised advertising. The Democratic incumbent, Debbie Stabenow, ran 367 spots in the Detroit media market. Her Republican opponent, Susan Grimes Munsell, purchased no ads in Detroit, but Republican party committees ran 507 spots attacking Stabenow, and allied interest groups purchased hundreds more.

Like interest groups, political parties claim that they are not technically engaged in electioneering; instead, they claim their ads are for “party-building” purposes, and are thus able to pay for their ads partially with soft money, which is subject to neither the source restrictions nor contribution limits imposed on the hard money that candidates must use. A close examination of the political parties’ ads reveals that their ads are far more likely to simply support their candidates than to build the party. Only 15 percent of political party ads even mentioned a party label—in fact, groups were more likely to mention party label in their ads—while a candidate was named in 99 percent of party ads. One ad sponsored by the Republican National Committee even praised its candidate for Senate in Wisconsin, Mark Neumann, for “(standing) up to his own party” to protect Social Security. It is hard to imagine any explanation for how this commercial built Republican strength in Wisconsin.

In effect, political party ads appeared to be little more than shadow campaigns for their candidates. As table 3.2 shows, candidates and parties raised the exact same top five themes in their ads: taxes, education, Social Security, Medicare, and health care. Examples abounded of pairs of ads—one sponsored by the candidate and the other by the party—that not only raised similar themes, but used some of the same language in raising those themes.5 Candidates even relied on the parties to do some of the unpleasant work of negative campaigning: Candidate appeals usually pro-

Table 3.1  **Number of Types of Ads by Candidates, Parties, and Interest Groups**

<table>
<thead>
<tr>
<th></th>
<th>Candidate Electioneering</th>
<th>Coordinated Expenditures</th>
<th>Independent Expenditures</th>
<th>Issue Ads</th>
</tr>
</thead>
<tbody>
<tr>
<td>Candidates</td>
<td>235,791</td>
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<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Parties</td>
<td>0</td>
<td>7,391</td>
<td>97</td>
<td>37,386</td>
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<tr>
<td>Groups</td>
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<td>0</td>
<td>1,281</td>
<td>20,431</td>
</tr>
<tr>
<td>Total</td>
<td>235,791</td>
<td>7,391</td>
<td>1,378</td>
<td>57,817</td>
</tr>
</tbody>
</table>
moted their virtues (60 percent were rated as promoting a specific candidate compared with just 21 percent that attacked a candidate) while party ads tended to attack the opposition (60 percent attack vs. 28 percent promote).

So while the parties played a hugely important role in supplementing, and in some cases even replacing, their candidates’ television advertising, groups chose to speak through the parties. For whatever reason—the AFL-CIO’s mixed record in 1996 of unseating their Republican targets may have been a factor—groups, with some exceptions, generally chose to forgo the large-scale advertising campaigns mounted by the parties. The parties’ dominance may also be attributable to a quirk of 1998: several extraordinarily expensive Senate races, most notably in New York, North Carolina, and California, which accounted for a substantial portion of all ads run in 1998. Groups rarely bothered to run ads in these or most Senate races, perhaps believing that the cost of being heard amid well-funded candidates and parties was too high. Instead, judging from soft money contribution records, many groups concerned with electing or defeating candidates made parties their megaphones. There are numerous reasons to act through parties, from their experience in electioneering to the opportunity to gain goodwill from party leaders (Krasno and Sorauf 1999). In the end, groups were more likely to run issue ads that were genuinely geared toward issues—such as global warming, free trade, and tobacco—than ads intended to help elect or defeat a particular candidate (68 vs. 30 percent), although the proportion of ads focused on candidates grew precipitously as the election approached.
Implications for Regulation

Our results lead to the rather obvious conclusion that the current system of distinguishing express from issue advocacy by the use of “magic words” is a dismal failure. The fact that ads by candidates, parties, and interest groups with a few exceptions appear in greatest number in the period directly before election day, emphasize the same topics, and identify the candidates by name is a good indication that all these ads share the identical purpose of influencing the vote. But the clearest sign of the inadequacy of the magic words test is that candidates so rarely employ them in their appeals. Rather than say “vote for me” or “don’t vote for him,” candidates overwhelmingly prefer to proclaim their own merits or their opponent’s deficiencies without providing direction about what viewers should do in the face of this information. For example, in New York’s 2000 Senate race, Hillary Clinton ended many of her ads about Rick Lazio with the admonition, “The more you know, the more you wonder,” while Lazio countered with “Hillary Clinton: You just can’t trust her.” Our study shows that just 4 percent of ads broadcast by candidates in 1998 used magic words.

One possible location for these magic words of express advocacy might be in disclaimers, the “paid for” message that appears somewhere within each commercial. There are several problems with this supposition that the disclaimer may be the part of the ad that urges viewers (in various ways) to vote for a particular candidate. As a practical matter, we found that more than one-quarter of all ads’ disclaimer messages were either missing or illegible. This is not surprising since FCC regulations require only that disclaimers appear on screen for at least four seconds and must take up a minimum of 4 percent of the screen. As a result, it is hard to imagine that many viewers notice the disclaimers, especially since they often appear against much stronger visuals. That would make disclaimers a poor vehicle for delivering the message urging viewers to support a particular candidate—unless delivering that message explicitly is not an important part of the ad. From our standpoint, the suggestion that disclaimers may satisfy the magic words test is another indication that it is a narrow legalistic doctrine unrelated to the actual content of an ad.

This decision not to use magic words should not be seen as too surprising in light of practices of commercial advertising. Few car or soft drink commercials explicitly tell viewers to buy their product, but viewers are left with little doubt about how their lives will improve if they do. Political ads of all sorts use the same technique by making the argument why voters should make a particular choice without directly telling them what to do. Whether judges or advertising firms are naive is uncertain, but the result in either case is that the magic words test has been rendered meaningless—a test of nothing—by modern advertising strategies.

What would work better? There are numerous alternatives, including a set of recommendations entitled “Five New Ideas to Deal with the Problems Posed by Campaign Appeals Masquerading as Issue Advocacy” (Brennan Center for Justice Policy Committee on Political Advertising 2000), which was issued by a blue-ribbon committee of public officials, scholars, and activists that included Leon Panetta, Linda Smith, Vic Fazio, Charles Kolb, and Tom Mann and was convened to complement the research on the 1998 campaigns. These recommendations focused on using the
FCC to strengthen disclosure, refining past regulatory proposals, and treating all political party advertising mentioning candidates as electioneering. But the best-known proposal to deal with issue advocacy is the bill sponsored in past Congresses by Senators McCain and Feingold. In brief, the McCain-Feingold bill would redraw the boundaries between express and issue advocacy by labeling any ad that appears within 60 days of an election and mentions a candidate by name as electioneering.

Our data allow us to determine which ads would have been affected by this proposal in 1998 by examining issue ads that met these two criteria. Of this subset of 180 separate ads, just 2—an appeal to both candidates in Nevada to lower taxes (sponsored by the Committee for Good Common Sense) and a commercial by the AFL-CIO that aired in a dozen states asking viewers to contact various senators about a specific bill (S2661)—appeared to our coders to be genuinely aimed at informing viewers about an issue without supporting either candidate. These 2 ads appeared 2,808 times in the top 75 media markets covered by CMAG out of 38,923 airings of all “issue ads” mentioning candidates during this 60-day period. The remaining ads were viewed as primarily for the purpose of electioneering. Obviously, the McCain-Feingold bill does a good job of distinguishing between electioneering and nonelectioneering issue ads. Nonetheless, one of the proposals in “Five New Ideas” is aimed at further improving the bill in order to eliminate the already minimal number of false positives and ensure that genuine issue advocacy remains protected throughout each election year.

Naturally, one might question whether the explosion of issue ads has been a good or bad thing, and whether regulations such as McCain-Feingold are needed or not. Certainly there is a strong case to be made that these signs of activity by parties, interest groups, corporations, and unions play a positive role in American politics by introducing new ideas into election campaigns and by strengthening citizens’ ties to nongovernmental institutions. In short, issue ads are often defended by their sponsors as a flowering of democratic values.

In our view, however, these claims do not withstand scrutiny. In fact, we would argue the opposite—that the flood of so-called issue ads has, on the whole, been harmful to American politics. To begin with, the notion that these ads serve to bring issues beyond those on the candidates’ agendas to the voters is plainly false. Our study shows that just the opposite is true: Issue ads, especially those by parties, tend to mimic the themes that candidates express. The reason for this mimicry is obvious, since these ads are meant to reinforce candidates’ campaigns. A few advertisers do break new and distinctive ground, but the vast majority of issue ads hew closely to the line that the candidate they favor is selling.

The evidence that issue ads strengthen their sponsors is also quite sparse. Parties, of course, are institutions that many scholars and judges wish to fortify since they serve so many useful roles. Unfortunately, the fact that so few party ads say the words “Democrat” or “Republican” undercuts the hope that much building of parties occurs. Indeed, our analysis lends credence to the view that issue ads are aired solely for the benefit of individual candidates without much regard to whether they will help their sponsors or not. Interest group ads are a slightly different story, since many of the main advertisers like the AFL-CIO, the Sierra Club, and Americans for Limited
Terms did broadcast commercials that comported with their organization’s known views and activities. At the same time it is worth recalling that two-thirds of issue ads in 1998 were run by parties, and that many of the most active groups were basically front organizations with no identity outside of their ads.

While the potential virtues of issue advertising turn out to be much less than imagined, its potential vices are all too real. Reformers complain with cause that issue ads have undercut the entire campaign finance system, introduced new sources of possible corruption, and allowed corporations and unions new avenues to influence election outcomes. Each of these claims is serious and each seems at least reasonably credible to us. But we point to a less noticed impact of issue advocacy—its role in narrowing the number of competitive elections. By allowing political parties and other groups to focus their resources on just a few races—in contrast to the provisions of FECA that establish limits on the amounts that parties and PACs may contribute directly to candidates—issue ads have allowed parties to concentrate their efforts in the battle for control of the House to the point where just two dozen races are seen as competitive in 2000, with other advertisers following suit. While we question the political wisdom of the strategy that each side has pursued—pouring its resources into the same small set of races—there can be no question that this development has been a negative one for Americans and for the political system. Our preference is for a system that encourages competitive contests in as many places as possible, not one that seems to ignore the vast majority of American voters.

NOTES
1. Many markets are too expensive for local candidates or even many congressional contenders to utilize.
2. Their claim comes from a footnote in the Supreme Court’s Buckley decision that attempted to define the boundaries of FECA in order to protect the right to speak out on various issues. The set of verbs listed in the note, such as “vote for” and “reelect,” have become known as the “magic words” of express advocacy.
3. Using this measure of spending in looking at political advertising produces figures that are often smaller than published reports of the cost of ad buys, which factor in all the costs of an advertisement, including, among other things, production and fees to media consultants.
4. Alexander, of course, eventually decided not to run.
5. See Jonathan S. Krasno and Daniel Seltz, 2000, Buying Time (New York: Brennan Center for Justice), 4, for one example of such a pair from the Kentucky Senate race.
6. One notable exception was Americans for Term Limits, which, while often identified with Republicans, supported Republican candidates only one-third of the time. Its ads, while clearly geared toward the election or defeat of candidates, are also genuinely about a single issue and are thus less tied to electoral strategy than the ads by groups such as the AFL-CIO.
7. The absence of “magic words” did not make the purpose of the ads any less clear to coders, who reported that the primary purpose—electioneering or providing information on an issue—was unclear in only 1 percent of all ads.
8. Coders were asked whether in their judgment an ad was intended to “provide information about or urge action on a bill or issue” or to “generate support for or opposition to a particular candidate.”
REFERENCES


In recent years, the debate over the role of money in politics has tended to focus on the potential for influence in the legislative process obtained by those who contribute funds to members of Congress or candidates for such offices. The debate has rarely focused on the potential for personal enrichment that might be present as well, perhaps because the idea of personal gain seems to contradict commonly accepted notions of good government. Despite such public perceptions, personal gain remains a very real element of political campaign financial affairs. This chapter will describe the potential for such use of campaign funds inherent in the structure of the federal tax laws applicable to tax-exempt organizations. The fact that tax-exempt organizations may play a key role in politics is strongly suggested by a 1989 National Journal study of the financial disclosure records of members of Congress that revealed that 51 members of the Senate and 146 members of the House of Representatives were founders, officers, or directors of tax-exempt organizations (Cohen and Mallack 1989).

A broad array of rules are in place that restrict or prohibit the ability of members of the United States Congress to derive personal benefit from the immense fund-raising opportunities afforded by their incumbency. This was not always the case. For example, Revenue Ruling 68-19 simply and directly stated that any campaign funds used by a candidate for personal purposes were to be included in the candidate’s income in the year in which the funds were so used. There were no limitations, restrictions, or penalties on such a use of campaign contributions; indeed, the revenue procedure goes so far as to suggest that all deductions allowable under the Internal Revenue Code might be available to soften the tax bite. The timing of distributions for personal use was at the whim of the candidate or incumbent. As late as 1992, it was still possible for incumbent members of Congress (those who had been in office on January 8, 1980) to convert campaign funds to personal use at the discretion of the member.

Effective with the convening of the 103rd Congress in January 1993, statutory restrictions such as those found in the Federal Election Campaign Act of 1971, as amended, and the Ethics Reform Act of 1989, coupled with ethics rules imposed on members by the Senate and House of Representatives, generally precluded personal...
use of political contributions by members. The only informal exceptions to the pro-
hibition are expenses that have a bona fide nexus to political campaigning as well as
a personal component, such as travel expenses.5 The travel need not be to and from
the relevant state or congressional district to establish the requisite nexus, but the pur-
pose of the travel must be clearly political in nature rather than recreational. For ex-
ample, the House ethics rules, while stating that “as long as Members do not convert
campaign funds to personal use or official uses, they generally have wide discretion
as to what constitutes a bona fide political purpose,” also provide as an example of
an inappropriate use payment for a Caribbean vacation to recuperate from “a par-
ticularly grueling but successful campaign” (U.S. House Committee on Standards of
Official Conduct 1992, 271–274). Such constraints effectively nullify the former
laissez-faire approach that is still reflected in section 527 of the Internal Revenue
Code,6 which seems to assume eventual personal use of some amount of campaign
funds. Regulations7 issued under section 527, for example, which antedate the more
recent constraining changes, set out procedures and provide examples of how such
diversions should be treated for purposes of federal income tax, including an illus-
tration involving the use of campaign funds to pay an individual’s personal federal
income tax liability.

The aforementioned constraints, however, have a temporal quality tied to in-
cumbency. Once a member of Congress leaves that position—whether by resignation,
retirement, or reelection defeat—the impact of the rules lessens dramatically. At the
same time, however, the former member’s fund-raising prospects also decline.8 A
premium is thus placed on planning, and a number of options are available.

**The Campaign Committee Option**

An assumption must be made that, while still an incumbent, the member continued
to actively solicit contributions for his or her duly authorized campaign committee
within the rules administered by the Federal Election Commission (FEC). Assuming
appropriate timing of the member’s retirement announcement (well toward the end
of the term but not so late that a replacement candidate cannot be identified), the cam-
paign committee may have considerable financial reserves. These “hard money”
funds, which are difficult to raise in quantity because of the FEC-enforced limitations,
can be reprogrammed in several ways.9

Assuming the former member no longer harbors plans for future political office
and thus will not have a personal political campaign need, the campaign committee
can be converted to a political action committee (PAC). The excess campaign funds
and valuable assets such as mailing lists can then be transferred to the PAC and be
available to support the member’s second career as a lobbyist or another business ac-
tivity that would be assisted by the ability to make political contributions (Weiss
2000).10

The range of exempt function activities for a PAC extends across the spectrum of
legitimate campaign activities, and a PAC is not relegated to making financial con-
tributions to particular candidates as if it were a political private foundation (Weiss
2000, 2–3).11 Both FEC and Internal Revenue Service (IRS) rules anticipate that PACs
will incur reasonable expenses in carrying out their exempt function activities. Ex-
expenses for travel, food, and reasonable salaries for employees are all well within the scope of exempt function expenditures under section 527. The IRS has even issued a private-letter ruling approving the payment of reasonable compensation to a candidate from his campaign committee. The implication is that it would also be an appropriate exempt function expenditure to pay a reasonable salary to a former member who was providing services to a PAC. As long as a standard of reasonableness is observed and there is a firm nexus to political activities, the former member may undertake a role as “elder statesman,” advising candidates and political parties, attending fund-raising golf tournaments, and convening discreet strategy sessions from Key Biscayne to Palm Springs. Expenses related to such matters, as well as a reasonable stipend for the former member to permit his or her active and continuous involvement, will likely be appropriate exempt function expenditures for the PAC.

The campaign committee option has several drawbacks, however—chief of which is that contributions are unlikely to continue past the member’s announcement of retirement from Congress. There is no tax-based incentive for supporters of a political organization, other than an exemption from federal gift tax, to replace the appeal of political access. Funds will be necessary, though, if activity is going to be sustained for any significant period of time after the member’s departure from Congress. One option is to solicit contributions that are set aside in an investment account akin to an endowment. Unless carefully structured, however, this option has significant tax-related disadvantages because the investment or business income of political organizations is subject to federal income tax at the highest corporate rate. Additionally, the act of investing is a tax event for the organization under the provisions of the regulations that tax the organization’s expenditures when made for the purposes of deriving a direct or indirect financial benefit. In order to avoid these complications, the campaign committee could solicit contributions in the form of municipal bonds, the interest from which is excluded from taxation, unlike other forms of political organization investment income (Kindell and Reilly 1992, 454). Receiving contributions in the form of an investment interest such as bonds, rather than investing cash contributions in bonds, avoids the imposition of tax on expenditures for the “direct or indirect financial benefit” of the political organization.

An additional drawback to this option is that, as a “hard money” PAC, the disclosure and reporting rules administered by the FEC will continue to apply, as will the limitations on sources and amounts of contributions. Because all such FEC reports are audited by the FEC staff, conversion PACs will need to exercise care to ensure continuing compliance and avoid the possible imposition of fines and penalties.

The “Loose Money” Political Organization Option

As with the campaign committee option, this option requires preretirement planning by the member. Under this option, while a member in still in Congress and able to capitalize on fund-raising, a political organization, here known as a “loose money” fund, should be formed under section 527 and Revenue Ruling 2000-49. This particular type of political organization, as long as it avoids express advocacy of a particular candidate or coordination with a candidate, will generally avoid the FEC regulatory regimen. A benefit of status as a “loose money” fund is that the organiza-
tion will not be subject to prohibitions on corporate contributions of funds and on amounts of contributions. The ability to solicit unlimited corporate contributions should facilitate fund-raising during the incumbency period. A second benefit is that there will be no necessity to convert the organization from campaign committee status to political organization status upon the member’s retirement. The organization simply continues.

The same benefits regarding reasonable expenses that apply to “hard money” or “soft money” political organizations will apply to “loose money” funds. If the fund intends to remain outside the FEC regulatory structure, however, care will have to be exercised to avoid activities that are sufficiently coordinated with a candidate or political party so as to trigger application of FEC rules. The PAC therefore avoids direct political campaign events and focusing support and activities on issues in specific geographic areas targeted to affect particular elections. This requires some analysis to ensure linkage between personal travel preferences and politically significant issues. For example, issues of coastline development necessitating considerable research and travel expense could have an impact on elections in San Diego County, California; Martha’s Vineyard, Massachusetts; and Hilton Head, South Carolina.

The “loose money” fund will be subject to the same taxes on investment income as the “hard money” political organization discussed in the first option. Contributions in the form of tax-exempt bonds would have the same exclusionary effect with regard to interest income as well. Because such a fund will not be subject to FEC jurisdiction, it need not be concerned with the high rate of FEC audit activity. The organization will need, on the one hand, to comply with the IRS-administered reporting and disclosure rules. On the other hand, given IRS resources and the scope of the agency’s responsibilities, audit attention will be dramatically lower.

The Social Welfare Organization Option

This option necessitates creating a form of tax-exempt organization known as a social welfare or “advocacy” organization. As with all the options, this organization should be created well before the member’s departure from Congress to ensure adequate funding because there is no tax-based incentive for contributors. In this case, the exemption from federal gift taxes applicable to contributions to political organizations would not be available. It should be noted that both the House and Senate ethics rules prohibit lobbyists from contributing funds to tax-exempt organizations “maintained or controlled” by a member, relative, or employee. There appears to be no restriction relating to former business partners or friends; consequently, organizations formed and controlled by trusted third parties have the most flexibility with regard to fund-raising.

There are no limitations on the sources or amounts of contributions to organizations exempt under section 501(c)(4), and sources can include corporate and foreign national donors (if the member, member’s relatives, or employees have no involvement in the organizations). Unlike either the first or the second options, the names and addresses of contributors, while reported to the IRS, would not be made public, which could facilitate the corporate and foreign national support.
A benefit of this option is that the investment income of the organization is exempt from federal income tax, unlike the investment income of political organizations. Consequently, there is no need to consider soliciting contributions in the form of tax-exempt bonds to avoid income tax on the interest. The exemption on investment income includes rents from real property.

Because social welfare organizations may engage exclusively in lobbying activity, they could serve as a freestanding Washington base or affiliate for a related proprietary consulting firm exploiting the former member’s congressional experience.20

Social welfare organizations can pay reasonable compensation to employees, including reimbursement of reasonable expenses incurred in carrying out the organization’s activities. Compensation does not have to be restricted to cash and could include use of automobiles, a residence, and similar benefits so long as the value is reasonable in light of the work performed and the amounts are treated on the organization’s records as compensation paid. Some care should be taken in setting compensation levels because those persons with “substantial influence” over a social welfare organization are subject to penalty excise taxes and correction requirements if they receive excessive compensation or other “excess benefits” from the organization.21

The Charity Option

From the standpoint of sustaining a flow of contributions and other support, the option of creating a charity described in section 501(c)(3) has the greatest potential. The incumbent or a close family member or business associate could form the charity. Not only is there a tax-based incentive at the federal level in the form of the charitable contribution deduction to support such entities, but gifts are excludable from gift tax and contribution deductions are likely available at the state level as well. There are no restrictions on the amount or source of contributions, including, as with section 501(c)(4) organizations, support from foreign nationals and corporations.

The creation and operation of a charity during a member’s term in Congress facilitates fund-raising (e.g., the Dole Foundation). Public support is essential to enable the charity to qualify as a public charity under section 509(a)(1) and section 170(b)(1)(A)(vi). This status, or similar public charity status under section 509(a)(1) or section 509(a)(2), is necessary to avoid the excise taxes and restrictions on private foundations stipulated in Chapter 42 of the Internal Revenue Code. It is also necessary to qualify the organization to receive the excess assets of the member’s campaign fund-raising organization or other political organization without triggering income to the member or other individual controlling the accounts under federal tax rules.22 The identification of charities as appropriate recipients of the funds of terminating political organizations is a major distinction and advantage over the social welfare organization option.

The requirement that the charitable recipient of a terminating political organization’s funds be a public charity as described in section 509(a)(1) or section 509(a)(2) carries with it the possibility that the charity, if dependent on popular identification with a member of Congress for its attractiveness to donors, might become a private
foundation within a few years of the member’s departure from Congress. Private foundation status would bring with it the restrictions on activities and relationships outlined in Chapter 42 of the Internal Revenue Code and the excise tax on net investment income stated in section 4940. Private foundation status, with its attendant prohibition on lobbying\(^\text{23}\) and restrictions on reimbursement of government officials,\(^\text{24}\) would essentially eliminate the organization’s usefulness as an adjunct to a lobbying or consulting practice. It would also preclude the sharing of expenses, facilities, and assets (such as mailing lists) with related proprietary organizations (a lobbying firm owned by the former member, for example).\(^\text{25}\)

In order to avoid private foundation status, the public charity could convert—after receiving the political organization’s assets—to a supporting organization under section 509(a)(3). This entails amending the articles of incorporation or other governing document to reflect the supporting relationship toward a public charity (including a donor-advised fund or community foundation) or a publicly supported social welfare organization exempt under section 501(c)(4), labor union exempt under section 501(c)(5), or trade association exempt under section 501(c)(6).

The major restrictions on charitable expenditures are found in the Internal Revenue Code and secondarily under state law. The general principle governing expenditures to or for the benefit of individuals who are not, themselves, objects of charity is that the expenditures must be reasonable in light of the goods or services provided. Such expenditures can include reasonable compensation, both current and deferred, as well as reimbursement of reasonable expenses (Internal Revenue Service 1990).\(^\text{26}\) Compensation can include both taxable and excludable fringe benefits. Payment of excessive compensation, however, will jeopardize the continued exempt status of the charity as well as implicate the penalty excise tax on excess benefit transactions in section 4958.

If payment of compensation or the provision of other benefits to the member, his or her relatives, or employees occurs, Senate and House ethics rules preclude the solicitation of contributions by the member, relatives, or employees (Hansen and Berman 1997). This restriction suggests that payment of such benefits should be avoided until the member leaves office and can assume the role of a director, officer, or employee of the charity. In the interim, the member’s involvement in the charity’s activities and the public’s identification of the member with the charity will generate favorable media exposure (Chisholm 1990). Nonpartisan, issue-oriented fund-raising using the imprimatur of the member also provides visibility and a mailing list. Fund-raising letters or other methods of raising contributions using references to the member, such as his or her signature, should avoid political messages; section 501(c)(3) contains an absolute prohibition on political campaign intervention by charities. In addition, section 4955 of the Internal Revenue Code contains a penalty excise tax on political campaign intervention by charities. Indeed, the IRS has recently made public a memorandum discussing the adverse impact on exempt status and the excise taxes in the context of fund-raising letters signed by a political candidate on behalf of an educational organization. Use of the charity’s mailing list by the candidate was also an issue.\(^\text{27}\)

The same halo effect of association with a charity that would have been present when the member was in office would continue after his or her departure, providing favorable media exposure.
The Trade Association Option

This option involves the creation of a trade association recognized as exempt under section 501(c)(6). This approach shares many of the characteristics of the social welfare option, including exemption of investment income from tax and a prohibition on inurement of income. Trade associations must be organized and operated to further the interests of a particular line of business and, as a result, are generally structured as membership organizations (Hall 1992). This requirement could limit the organization’s attractiveness to donors outside the relevant industry. Trade association status, however, would tend to make membership dues and contributions more easily deductible as ordinary and necessary business expenses under section 162.

Section 501(c)(6) organizations, like section 501(c)(4) entities, are not considered appropriate recipients of political organization termination disbursements under section 527. Accordingly, support would come in the form of contributions and dues from businesses interested in supporting an organization that reflected a member’s interests. The section 501(c)(6) option would be most easily established using trusted friends rather than the member, his or her relatives, or employees. After the member’s departure from Congress, the trade association could continue to support a lobbying or law practice by providing visibility (essentially advertising) for the practice. Assets developed during the member’s term, such as mailing lists, could be made available to the proprietary enterprise as well.

Conclusion

As the preceding discussion suggests, changes in federal tax and election law, coupled with strengthened Senate and House ethics rules, have effectively precluded the ability of incumbent members of Congress to benefit to a significant degree from the direct personal use of campaign funds. The discussion also makes it clear that a very different result is obtained after the member has left office, particularly if a variety of organizations have been created by trusted friends and business associates to utilize proximity to the member as a fund-raising device before his or her departure from office. Even after leaving office, however, the federal tax rules operate to require that personal benefit be indirect, such as in the form of visibility (advertising) for a law or lobbying practice or compensation/reimbursement of expenses that have a significant recreational or personal component. There is evidence to suggest that all the options have been known by the relevant parties for some time and, indeed, have been employed in various combinations.

NOTES

1. While there is some history of illegal financial activity by members of Congress, the “Abscam” episode of the late 1970s being one example, this chapter assumes an intention on the part of the members to remain within legal restrictions. No inference to the contrary is intended or should be drawn from references to individuals or organizations used to illustrate particular aspects of the regulatory framework.
2. 1968-1 C.B. 810.
3. 2 U.S.C. secs. 431-455.
5. The article contains a table drawn from campaign disclosure reports indicating that five House members bought cars, two senators rented apartments in their home states, two members of Congress endowed academic chairs in their names, several members of Congress paid for country club memberships, and five House members bought tuxedos. No specific time frame was noted with regard to the expenditures, nor was the number of financial disclosure reports that were reviewed for the chart noted.

6. All references to sections herein are to the Internal Revenue Code of 1986, unless otherwise indicated.

7. Section 1.527-5(a)(1). All references to regulations are to the U.S. Department of the Treasury Income Tax Regulations, unless otherwise indicated.

8. A possible example of the drop-off effect can be seen reflected in the 1998 and 1999 Form 990 returns of the Dole Foundation, an organization recognized as exempt from federal income tax under section 501(c)(3). The 1998 support schedule, Part IV-A, reflects strong contributor support in 1994 and 1995, years in which Robert Dole was a member of the Senate. Contributions drop dramatically beginning with the year 1996 and are virtually nonexistent by 1999, at which time the Foundation filed its final Form 990. Other explanations of the contribution pattern are possible, of course.

9. “Hard money” political organizations are those subject to FEC reporting and regulation. In contrast, “soft money” political organizations are not subject to limitations on the sources and amounts of contributions, but are required to report contributors to the FEC.


11. The article notes that former Rep. Toby Roth (R-Wis), now lobbyist Roth, who left office in 1996 and converted his campaign fund into a PAC, spent more than $4,200 on travel and meals in 1999, primarily in Appleton, Wisconsin, where the PAC is located, as well as making contributions to candidates.

12. PLR 9516006 (January 10, 1995).

13. Section 527(b)(1).

14. Section 1.527-5(a)(1) of the regulations.

15. Section 1.527-5(a)(1).

16. I have coined the term “loose money” to distinguish political organizations formed outside the purview of the FEC’s jurisdiction. “Loose money” political organizations or funds are governed by IRS-enforced rules pursuant to PL 106-230. The term refers to the fact that there are virtually no restrictions on the sources and amounts of funds that may be contributed to the groups, but they are subject to a disclosure regimen set out in Revenue Ruling 2000-49.


18. As with “hard money” PACs, contributions from foreign sources are prohibited by 2 U.S.C. 441e.

19. Section 501(c)(4).

20. A variation on this option seems to have been employed by former Rep. Newt Gingrich (R-Ga), whose political committee, Friends of Newt Gingrich, filed a termination report with the FEC reflecting a transfer of funds remaining after satisfaction of debts (approximately $75,000) to the Committee for New American Leadership. The committee is rather obliquely described in the report as a “nonprofit entity.” Information gleaned from Web sites http://newt.org, http://gingrichgroup.com, http://SocialSecurityPlus.org, http://NoDeathTax.org, http://MaxTax.org, and http://NoNetTax.net suggests that the organization intends to lobby Congress on issues similar to those of interest to the Gingrich Group, an Atlanta-based communications and management consulting firm.

21. Section 4958.

22. Section 1.527-5(b)(2) of the regulations.

23. Section 4945(e).
25. Section 4941(d)(1).
26. An extensive discussion of the forms of compensation appropriate for employees of tax-exempt charities can be found in “Compensation.”
27. TAM 200044038 (July 24, 2000).
28. The trade association option appears to have been the intended choice of the late Rep. Les Aspin (D-Wis), then Chairman of the House Armed Services Committee. Rep. Aspin created the Aspin Procurement Institute, overseen by a former staffer, for the purpose of securing Department of Defense contracts for Wisconsin-based industry.

REFERENCES

Assessing the Current Data on 501(c)(3) Advocacy: What IRS Form 990 Can Tell Us

JEFF KREHELY

Legislative lobbying by charitable nonprofit organizations—classified as 501(c)(3) organizations under the federal tax code—has a history of coming under legislative attack. The proposed Istook Amendment and “paycheck protection” efforts in the states are among the recent challenges to this practice. Opponents of lobbying by charities often cite the “public subsidy” argument when making their attacks. Because 501(c)(3) organizations can receive tax-deductible donations from taxpayers—that is, people who itemize their tax returns do not pay federal income taxes on charitable contributions—the money can be viewed as an indirect subsidy from the government to an organization via the tax code. Charities, the argument goes, should not use this “public” money to lobby the government. But because there are laws to limit the amount of time and money 501(c)(3)s spend on lobbying activities—and because these activities generally benefit a broad constituency rather than particular individuals or industries—the public subsidy argument against 501(c)(3) lobbying can be contested.

To what extent, though, are charities lobbying? What types of charities have a legislative agenda? What are the financial characteristics—related to aggregate revenue and expense data—of charities that lobby? Using data from the National Center for Charitable Statistics, this chapter answers these questions, and also provides a general overview of the data available on the lobbying activities of charitable organizations and how the data fit into a broader advocacy research agenda. The chapter concludes with a discussion of the strengths and weaknesses of the data, as well as some recommendations for future research.

Data Overview

The National Center for Charitable Statistics (NCCS), a project of the Center on Nonprofits and Philanthropy (CNP) at the Urban Institute, is the national repository of data on nonprofit organizations in the United States. NCCS Core Files—on which this chapter’s analyses are based—are produced annually and are compiled from information that nonprofit organizations report to the Internal Revenue Service (IRS), primarily on Form 990 and Form 990’s Schedule A. In particular, the Core Files com-
bine descriptive information from the IRS Business Master Files and financial variables from the IRS Return Transaction Files, after they have been cleaned by NCCS. The 1999 Core File contains 125 variables for the approximately 230,000 501(c)(3) organizations required to file a Form 990 with the IRS.²

The Core Files contain several variables that can be used for a lobbying analysis. These variables are derived from responses to the following sections of Form 990’s Schedule A:

- Part III, Line 1: “During the year, has the organization attempted to influence national, state, or local legislation, including any attempt to influence public opinion on a legislative matter or referendum? If ‘Yes,’ enter the total expenses paid or incurred in connection with the lobbying activities.”

- Part VI-A, Line 36: “Total lobbying expenditures to influence public opinion (grassroots lobbying).”³

- Part VI-A, Line 37: “Total lobbying expenditures to influence a legislative body (direct lobbying).”⁴

- Part VI-A, Line 38: “Total lobbying expenditures.” (Calculated by adding answers 36 and 37, above)

All organizations must respond to Part III, Line 1. However, Part VI-A, Lines 36, 37, and 38, are answered only by organizations that make the 501(h) election to lobby (called electing organizations), which simplifies the process by which organizations calculate how much they may spend on lobbying activities. For electing organizations, total lobbying limits are currently set at 20 percent of the first $500,000 of exempt-purpose expenditures, and then calculated on a sliding scale based on total exempt-purpose expenditures, up to a cap of $1 million on total lobbying expenditures. The limit on grassroots lobbying is set at 25 percent of an organization’s total lobbying limit (because total lobbying is capped at $1 million, grassroots lobbying is effectively capped at $250,000).

The Core Files also contain data on “excess” lobbying expenditures for electing organizations. According to the data, in 1998 only 37 organizations exceeded the limits for grassroots lobbying (total excess grassroots spending equaled $456,362), and only 57 exceeded the limits for direct lobbying (total excess direct spending equaled $717,149).

Before the results of the data analyses are presented, an important caveat must be noted. Simply put, this analysis cannot be viewed as an assessment of nonprofit advocacy in its entirety, because it is a broad term that encompasses a variety of activities, only one of which is legislative lobbying.⁵ In an effort to overcome this drawback to conducting research on nonprofit advocacy, Boris and Mosher-Williams (1998) created a sample of advocacy organizations for analysis based on organization-selected IRS activity codes and the National Taxonomy of Exempt Entities (NTEE).⁶ Compared with relying only on legislative expense variables, this data construction and subsequent analysis certainly expands the universe of nonprofit groups that engage in advocacy. However, because of several shortcomings of the current classification systems and the data, Boris and Mosher-Williams note that their technique does not definitively establish the advocacy universe. This caveat will be discussed more fully in the “strengths and weaknesses” section of the chapter.
Data Analyses

From 1989 to 1998, the number of 501(c)(3) organizations that reported lobbying expenditures on Form 990 gradually increased, from 1,605 in 1989 to 3,515 in 1998. However, the number of total filers was also increasing during this time, resulting in a rather stagnant percentage of all filers reporting these expenses. In 1989, 1.2 percent of all filing charities reported lobbying expenditures; the number peaked at 1.7 percent in 1994 and 1995, and then dropped to 1.5 percent for 1996, 1997, and 1998. The 3,515 groups that lobby devote only 1.2 percent of their total expenses to lobbying.

Among the electing organizations in 1998 that reported lobbying expenditures, 1,343 attempted to influence legislation directly, and 702 used grassroots techniques. According to the data, the numbers of 501(c)(3)s that make the 501(h) election are increasing. In 1989, only 25 percent of all 501(c)(3)s reporting lobbying expenditures made the 501(h) election; by 1998, 43 percent did so.

As table 5.1 shows, among groups that report lobbying expenditures (from Schedule A, Part III, Line 1), the mean (average) amount spent on such expenses in 1998 was roughly $39,000, and the median (the amount exactly in the middle of the range of reported expenses) was $8,000. The values for total direct lobbying expenditures (from Schedule A, Part VI-A, Line 37) were fairly close to those for total lobbying expenditures, with a mean of $44,000 and a median of $12,000. Grassroots lobbying expenditures (from Schedule A, Part VI-A Line 36) were slightly lower, with a mean of about $18,000 and a median of $4,200.

For each of these three variables, the means are relatively high compared with the medians. A frequency analysis of the range of total reported lobbying expenditures in table 5.2 shows that in 1998, 42 percent (1,480) of the organizations that spent money on lobbying had total lobbying expenditures of less than $5,000, and only about 10 percent (334) had lobbying expenditures of more than $100,000. The high spending levels of these 334 organizations are pulling the mean values higher, distorting the actual magnitude of lobbying expenditures. Therefore, the lower median values are a more accurate representation of the amount of money 501(c)(3)s spend on lobbying.

Based on total organizational expense data, charities that lobby—compared with those that do not—are relatively large organizations. Table 5.3 shows that among all 3,515 groups that report lobbying expenditures, 54 percent have total organiza-

<table>
<thead>
<tr>
<th>Variable</th>
<th>N</th>
<th>Mean ($)</th>
<th>Median ($)</th>
<th>Sum ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Lobbying Expenditures</td>
<td>3,515</td>
<td>38,659</td>
<td>8,000</td>
<td>135,920,000</td>
</tr>
<tr>
<td>Total Direct Lobbying Expenditures</td>
<td>1,343</td>
<td>43,919</td>
<td>12,088</td>
<td>58,982,567</td>
</tr>
<tr>
<td>Total Grassroots Lobbying Expenditures</td>
<td>702</td>
<td>17,776</td>
<td>4,246</td>
<td>12,478,418</td>
</tr>
</tbody>
</table>

tional expenses of more than $1 million. For groups that do not report lobbying expenditures, only 17 percent have total expenses of more than $1 million.

Looking at revenue streams, nearly 69 percent of the total revenue for organizations that lobby consists of money from program services; 15 percent is from contributions from private individuals, foundations, or government grants; and less than 1 percent (0.83 percent) is from membership dues and assessments. The remaining 15 percent primarily consists of income earned from sales, investments, and rental income. Revenue statistics for lobbying organizations are almost identical to those for groups that do not lobby: 66 percent of revenue for organizations that do not lobby comes from program services; 20 percent comes from contributions; and less than 1 percent (0.90 percent) comes from membership dues and assessments. Again, the remainder generally consists of income earned from sales, investments, and rent.

Geographic Analysis

According to the data presented so far, lobbying activities do not seem to be a priority for most 501(c)(3) organizations, in terms of both the number of groups lobbying and the amount of money devoted to a lobbying agenda. Another characteristic of these organizations is that they are not geographically diverse and are instead concentrated mainly in a few states. As table 5.4 shows, California, the District of Columbia, Illinois, Maryland, Massachusetts, New York, Virginia, and Washington account for nearly 44 percent of all organizations reporting lobbying expenses, and 60 percent of the money spent on lobbying.7

Table 5.2  Amount of Money Spent on Lobbying (by Range of Total Lobbying Expenses), 1998

<table>
<thead>
<tr>
<th>Amount Spent on Lobbying</th>
<th>No. of Organizations</th>
<th>Pct. of All Organizations</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1–$5,000</td>
<td>1,480</td>
<td>42.1</td>
</tr>
<tr>
<td>$5,001–$25,000</td>
<td>1,033</td>
<td>29.4</td>
</tr>
<tr>
<td>$25,001–$100,000</td>
<td>668</td>
<td>19.0</td>
</tr>
<tr>
<td>$100,001–$500,000</td>
<td>299</td>
<td>8.5</td>
</tr>
<tr>
<td>More than $500,000</td>
<td>35</td>
<td>1.0</td>
</tr>
<tr>
<td>Total</td>
<td>3,515</td>
<td>100.0</td>
</tr>
</tbody>
</table>


Table 5.3  Distribution of Total Organizational Expenses (Lobbying Organizations vs. Nonlobbying Organizations), 1998

<table>
<thead>
<tr>
<th>Total Organizational Expenses</th>
<th>Pct. of All Organizations That Lobby</th>
<th>Pct. of All Organizations That Do Not Lobby</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1–$50,000</td>
<td>7.6</td>
<td>26.6</td>
</tr>
<tr>
<td>$50,001–$250,000</td>
<td>17.7</td>
<td>35.6</td>
</tr>
<tr>
<td>$250,001–$1,000,000</td>
<td>21.0</td>
<td>20.3</td>
</tr>
<tr>
<td>$1,000,001–$5,000,000</td>
<td>22.8</td>
<td>11.5</td>
</tr>
<tr>
<td>$5,000,001–$10,000,000</td>
<td>7.3</td>
<td>2.6</td>
</tr>
<tr>
<td>More than $10,000,000</td>
<td>23.7</td>
<td>3.3</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>


Note: Percentages may not add to 100 due to rounding.
The U.S. Bureau of the Census estimates that these seven states and the District of Columbia accounted for 30 percent of the nation’s population in 1998. So at least part of this lobbying concentration can be attributed to population size influencing the number of charities operating in a given state. Moreover, many national charitable groups are located within the Washington, D.C. Beltway, pushing up the concentration in the District of Columbia, Maryland, and Virginia.

NTEE was developed by NCCS in the 1980s with the goal of making research on nonprofit organizations more efficient and uniform. Under NTEE, organizations are first organized into 10 main categories, such as Arts, Culture, and Humanities; Health; or Education. Then they are assigned to one of 26 Major Groups, each represented by a letter of the alphabet. Organizations are then assigned additional codes based on their general activities and characteristics.8

The NTEE analysis for this chapter was conducted at the Major Group level. Table 5.5 contains the results of this analysis for the 1998 data, and includes the following information for each of the 26 Major Groups:

- The number of organizations classified within the group.
- The percentage of all organizations that fall in the group.
- The number of organizations with lobbying expenditures in the group.
- The percentage of all organizations with lobbying expenditures in the group.
- Median lobbying expenditures for the group.
- Total lobbying expenditures for the group.
- The percentage of all lobbying expenditures in the group.9

Several findings from the NTEE analysis are important for understanding what types of organizations engage in lobbying. Most notably, the bulk of 501(c)(3) lobbying expenses come from just a few types of organizations.

### Table 5.4 Lobbying Expenditures in Key States, 1998

<table>
<thead>
<tr>
<th>State</th>
<th>No. of Organizations That Lobby</th>
<th>Pct. of All Organizations That Lobby</th>
<th>Total Lobbying Expenditures ($)</th>
<th>Pct. of All Lobbying Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>California</td>
<td>339</td>
<td>9.6</td>
<td>13,419,843</td>
<td>9.8</td>
</tr>
<tr>
<td>Dist. of Columbia</td>
<td>284</td>
<td>8.1</td>
<td>16,767,521</td>
<td>12.3</td>
</tr>
<tr>
<td>Illinois</td>
<td>153</td>
<td>4.4</td>
<td>7,979,765</td>
<td>5.8</td>
</tr>
<tr>
<td>Maryland</td>
<td>96</td>
<td>2.7</td>
<td>4,131,179</td>
<td>3.0</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>117</td>
<td>3.3</td>
<td>6,588,176</td>
<td>4.8</td>
</tr>
<tr>
<td>New York</td>
<td>277</td>
<td>7.9</td>
<td>21,431,635</td>
<td>15.7</td>
</tr>
<tr>
<td>Virginia</td>
<td>124</td>
<td>3.5</td>
<td>7,977,203</td>
<td>5.8</td>
</tr>
<tr>
<td>Washington</td>
<td>149</td>
<td>4.2</td>
<td>3,898,549</td>
<td>2.9</td>
</tr>
<tr>
<td>Total</td>
<td>1,539</td>
<td>43.7</td>
<td>82,193,871</td>
<td>60.1</td>
</tr>
</tbody>
</table>

Table 5.5  National Taxonomy of Exempt Entities Profile of 501(c)(3) Organizations, 1998

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>A — Arts, Culture, and Humanities</td>
<td>23,935</td>
<td>10.5</td>
<td>184</td>
<td>5.2</td>
<td>7,049</td>
<td>5,878,446</td>
<td>4.4</td>
</tr>
<tr>
<td>B — Education</td>
<td>37,928</td>
<td>16.7</td>
<td>576</td>
<td>16.4</td>
<td>5,442</td>
<td>24,411,841</td>
<td>18.1</td>
</tr>
<tr>
<td>C — Environmental Quality, Protection, and Beautification</td>
<td>4,434</td>
<td>1.9</td>
<td>263</td>
<td>7.5</td>
<td>5,412</td>
<td>7,914,690</td>
<td>5.9</td>
</tr>
<tr>
<td>D — Animal-Related</td>
<td>3,063</td>
<td>1.3</td>
<td>82</td>
<td>2.3</td>
<td>7,678</td>
<td>4,503,587</td>
<td>3.3</td>
</tr>
<tr>
<td>E — Health; General and Rehabilitative</td>
<td>20,592</td>
<td>9.0</td>
<td>596</td>
<td>17.0</td>
<td>17,938</td>
<td>33,074,434</td>
<td>24.5</td>
</tr>
<tr>
<td>F — Mental Health, Crisis Intervention</td>
<td>6,837</td>
<td>3.0</td>
<td>116</td>
<td>3.3</td>
<td>11,440</td>
<td>2,954,852</td>
<td>2.2</td>
</tr>
<tr>
<td>G — Diseases, Disorders, Medical Disciplines</td>
<td>4,360</td>
<td>1.9</td>
<td>181</td>
<td>5.2</td>
<td>13,440</td>
<td>15,668,283</td>
<td>11.6</td>
</tr>
<tr>
<td>H — Medical Research</td>
<td>1,834</td>
<td>0.8</td>
<td>41</td>
<td>1.2</td>
<td>10,852</td>
<td>1,921,793</td>
<td>1.4</td>
</tr>
<tr>
<td>I — Crime, Legal-Related</td>
<td>4,097</td>
<td>1.8</td>
<td>165</td>
<td>4.7</td>
<td>6,895</td>
<td>3,016,929</td>
<td>2.2</td>
</tr>
<tr>
<td>J — Employment, Job-Related</td>
<td>3,424</td>
<td>1.5</td>
<td>49</td>
<td>1.4</td>
<td>5,300</td>
<td>880,852</td>
<td>.65</td>
</tr>
<tr>
<td>K — Food, Agriculture, and Nutrition</td>
<td>2,178</td>
<td>1.0</td>
<td>38</td>
<td>1.1</td>
<td>7,072</td>
<td>629,428</td>
<td>.47</td>
</tr>
<tr>
<td>L — Housing, Shelter</td>
<td>11,679</td>
<td>5.1</td>
<td>61</td>
<td>1.7</td>
<td>3,139</td>
<td>1,166,809</td>
<td>.86</td>
</tr>
<tr>
<td>M — Public Safety, Disaster Preparedness, and Relief</td>
<td>3,015</td>
<td>1.3</td>
<td>17</td>
<td>.48</td>
<td>8,696</td>
<td>216,603</td>
<td>.16</td>
</tr>
<tr>
<td>N — Recreation, Sports, and Leisure</td>
<td>14,430</td>
<td>6.3</td>
<td>49</td>
<td>1.4</td>
<td>5,784</td>
<td>1,226,392</td>
<td>.91</td>
</tr>
<tr>
<td>O — Youth Development</td>
<td>6,211</td>
<td>2.7</td>
<td>41</td>
<td>1.2</td>
<td>1,815</td>
<td>794,984</td>
<td>.59</td>
</tr>
<tr>
<td>P — Human Services; Multipurpose and Other</td>
<td>33,414</td>
<td>14.7</td>
<td>404</td>
<td>11.5</td>
<td>5,043</td>
<td>8,037,941</td>
<td>5.9</td>
</tr>
<tr>
<td>Code</td>
<td>Description</td>
<td>Q</td>
<td>R</td>
<td>S</td>
<td>T</td>
<td>U</td>
<td>V</td>
</tr>
<tr>
<td>------</td>
<td>-------------------------------------------------------</td>
<td>-----</td>
<td>-----</td>
<td>-----</td>
<td>-----</td>
<td>-----</td>
<td>-----</td>
</tr>
<tr>
<td>Q</td>
<td>International, Foreign Affairs, and National Security</td>
<td>2,118</td>
<td>.9</td>
<td>59</td>
<td>1.7</td>
<td>10,112</td>
<td>3,555,999</td>
</tr>
<tr>
<td>R</td>
<td>Civil Rights, Social Action, Advocacy</td>
<td>1,725</td>
<td>.8</td>
<td>115</td>
<td>3.3</td>
<td>5,500</td>
<td>2,602,109</td>
</tr>
<tr>
<td>S</td>
<td>Community Improvement, Capacity-Building</td>
<td>9,687</td>
<td>4.3</td>
<td>138</td>
<td>3.9</td>
<td>5,998</td>
<td>4,186,015</td>
</tr>
<tr>
<td>T</td>
<td>Philanthropy, Voluntarism, and Grant-Making Foundations</td>
<td>12,525</td>
<td>5.5</td>
<td>102</td>
<td>2.9</td>
<td>5,409</td>
<td>2,645,775</td>
</tr>
<tr>
<td>U</td>
<td>Science and Technology Research Institutes, Services</td>
<td>1,613</td>
<td>.7</td>
<td>59</td>
<td>1.7</td>
<td>22,500</td>
<td>2,747,944</td>
</tr>
<tr>
<td>V</td>
<td>Social Science Research Institutes, Services</td>
<td>720</td>
<td>.3</td>
<td>18</td>
<td>.5</td>
<td>13,322</td>
<td>958,084</td>
</tr>
<tr>
<td>W</td>
<td>Public, Society Benefit; Multipurpose and Other</td>
<td>1,827</td>
<td>.8</td>
<td>77</td>
<td>2.2</td>
<td>12,000</td>
<td>3,407,385</td>
</tr>
<tr>
<td>X</td>
<td>Religion-Related, Spiritual Development</td>
<td>11,477</td>
<td>5.0</td>
<td>28</td>
<td>.80</td>
<td>3,426</td>
<td>1,619,769</td>
</tr>
<tr>
<td>Y</td>
<td>Mutual/Membership Benefit Organizations</td>
<td>672</td>
<td>.3</td>
<td>5</td>
<td>.14</td>
<td>8,675</td>
<td>463,616</td>
</tr>
<tr>
<td>Z</td>
<td>Unknown</td>
<td>3,936</td>
<td>1.7</td>
<td>51</td>
<td>1.5</td>
<td>4,949</td>
<td>743,468</td>
</tr>
</tbody>
</table>

**Total** | 227,731 | 100.00 | 3,515 | 100.00 | 8,000 | 135,228,028 | 100.00 |


*Note:* Percentages may not add to 100 due to rounding.
cation) and E (Health; General and Rehabilitative), for example, account for nearly 43 percent of all lobbying expenses, but represent only 26 percent of all 501(c)(3) organizations that file a Form 990 with the IRS.

Comparing all of the health Major Groups (E through H) and the human services Major Groups (I through P) reveals additional disparities. For example, taken together, the health categories represent 15 percent of all 501(c)(3) groups, while the human services categories represent 34 percent. Their share of the percentage of total lobbying expenditures, however, is almost reversed: The health groups are responsible for nearly 40 percent of the lobbying dollars, but the human services groups have only 12 percent of the share.

Perhaps because the health-related nonprofits traditionally have had to compete with for-profit organizations more frequently than human services organizations, they need to spend more money in the legislative marketplace to secure government contracts and research grants, as well as to influence industry standards and regulations. On the other hand, given the scrutiny of the lobbying activities of the human services subsector, it is somewhat surprising that the scope and magnitude of their lobbying activities are so limited.

The results for the environmental categories are not surprising, because they are probably some of the most identifiable public interest lobbyists in our society and they have been studied rather extensively (see, for example, Dunlap and Mertig 1992; Hjelmar 1996; Shaiko 1999). Major Groups C (Environmental Quality, Protection, and Beautification) and D (Animal-Related) represent 3 percent of all charitable organizations but spend 9 percent of all lobbying dollars. Preliminary research at the Urban Institute’s Center on Nonprofits and Philanthropy indicates that many environmental groups have complex organizational structures and channel their lobbying dollars through 501(c)(3) charities and 501(c)(4) social welfare groups. Additional research on these complex structures—as well as their political expenditures and impact on policy advocacy—is being planned.

Strengths and Weaknesses of the Current Data

**Strengths**

The Core Files provide the most comprehensive financial data available on charitable organizations. Directly surveying all 230,000 organizations in the data set to get this information would be costly and tedious. In addition, because of the diverse nature of these organizations, choosing a representative sample to survey would be difficult. In short, these files, and other data sets available through NCCS, are invaluable for quantitative research on the nonprofit sector.

For advocacy research in particular, the Core Files are quite useful for studying lobbying activities of 501(c)(3) organizations. These files go back to 1989, so detailed time-series analyses on these variables are possible. It is also possible to focus on a particular category or type of organization and analyze how lobbying groups differ financially (if at all) from nonlobbyists in that category or type. By sorting out the electing organizations from the nonelecting groups among all groups that lobby, research can also be done to see how nonelectors differ financially (if at all) from electors.
For people interested in conducting qualitative research on organizations that lobby, the Core Files can be used to provide financial background and trend information for in-depth case studies. With the variety of financial variables available, the data could also be used to write shorter organizational profiles of particular organizations. In general, working with the lobbying variables is a simple way to locate and learn about the politically active 501(c)(3) organizations that are required to file a Form 990 with the IRS.

Weaknesses Despite these strengths, the Core Files have several weaknesses that must be considered when conducting research on the advocacy activities of 501(c)(3) groups. First, and most generally, if NCCS and other IRS data are to be used for advocacy-related research, it is important to remember that advocacy and lobbying are not synonymous terms. As mentioned earlier, organizations that advocate can use a variety of methods to influence public opinion or the government—lobbying national and state legislatures is just one of those methods.

Consider, for example, that only 7 percent of NTEE Major Group category R organizations (Civil Rights, Social Action, Advocacy) report lobbying expenditures. These groups—primarily established to advocate—must use other strategies to speak for their constituents and to fight for their causes. In addition, as noted earlier, the NTEE classification system identifies general organization types and not specific organization activities, so using the data to zero in on groups that advocate in ways that do not involve legislative action—such as efforts to educate the public about a general problem or issue—is a challenge. Overall, the Core Files tell us very little about nonprofit advocacy, broadly defined.

Second, the IRS does not collect data on all organizations that are technically 501(c)(3) charities. For example, many religious-related organizations, including churches and associations of churches, are not required to register with the IRS. Organizations with less than $5,000 in annual gross receipts are also not required to register. Among organizations that must initially register, only those with more than $25,000 in annual gross receipts must file a Form 990 with the IRS. It is almost certain, then, that the NCCS Core Files—which are based primarily on the Form 990—understate the frequency and magnitude of 501(c)(3) lobbying activities. Colwell (1997), for example, estimates that the IRS has records of only 10 percent of the “voluntary action field.” Her research also shows that many of these unregistered organizations are likely to be involved in lobbying activities.

Third, organizations themselves report this information to the IRS, on the basis of their understanding of the instructions for Form 990 and Schedule A. Because there are more than 200,000 organizations in the 1999 Core File, it is inevitable that reporting errors have occurred. As one example, a few organizations enter the same value for total lobbying expenditures and for Line 81A on the Form 990, which captures the amount spent for political purposes (related to elections). This line is on the 990 primarily because non-501(c)(3) organizations also use the form and must report this information. The 501(c)(3)s are barred from spending any money on influencing the outcome of an election, so technically they should not be reporting information on this line.
Some of the data errors are obvious and easy to discover—for example, when a nine-digit Employer Identification Number is inadvertently entered as a total lobbying expenditure for an organization with total expenses of less than $100,000. Such errors are sometimes the result of programming glitches when the data are being cleaned. In some cases, information is simply not provided on Form 990, which usually means it is omitted from the data set.

Fourth, many of the key variables for analysis are aggregate measures of several smaller variables, which limits the scope and depth of any analysis. For example, the contributions revenue variable is actually a total of donations from private individuals and foundations, as well as government grants. Likewise, the total expenses variable is a function of many other subcategories, including administrative and program costs. Being able to analyze specific components of an organization’s revenue stream or its expenses would allow more in-depth research on the financial characteristics of groups that lobby, and it might also find subtle, hidden relationships between these subcategories and an organization’s decision to lobby. For example, preliminary work by Salamon (1995) suggests that there may be a positive relationship between government sources of revenue and an organization’s propensity to advocate. This research could be expanded or made more certain if detailed revenue data were available.

Finally, most organizations do not engage in lobbying and therefore do not report any lobbying expenses. It is difficult, then, to do any large-scale analysis of how all lobbying groups differ from all those that do not lobby, because the overwhelming majority of nonlobbyists dilutes the sample to an extreme. Looking at differences between particular types of organizations—for example, comparing environmental groups that lobby with environmental groups that do not—is one remedy.

Despite these data weaknesses, quantitative research on nonprofit advocacy will improve in the near future. The new “Digitized Data” that NCCS is preparing, in cooperation with Philanthropic Research, Inc., has the potential to enhance all of the strengths of the current data, while compensating for several of the weaknesses. The Digitized Data, like the Core Files, are based on IRS Form 990 and Schedule A, but they include a variable for every entry on the form (which adds up to more than 400 variables). The Core Files, by comparison, include only a fraction of all entries.

Here are some of the highlights of this new data resource as it pertains to lobbying and advocacy research:

- Information on the lobbying activities and techniques of nonelecting organizations will be available for analysis.
- New variables representing the subcategories for the currently aggregated revenue and expense variables will allow in-depth research on how these particular expenses and revenue streams relate to lobbying activities.
- Program descriptions, as reported in Part III of Form 990, will be included in the data set. Keyword searches can be performed on these descriptions to identify the organizations that engage in broader advocacy work.
- Line 80 on Form 990—which requires organizations to list any separate organizations to which they are financially and managerially related—will also be
available for searching and analysis. This information should allow researchers to know if a 501(c)(3) organization has an affiliated 501(c)(4) social advocacy group through which it might conduct a larger advocacy or lobbying agenda.

The Digitized Data are currently being prepared at NCCS. Extensive analyses on several aspects of this data—including the new advocacy and lobbying data—are being planned.

Conclusion

This chapter provides a general, descriptive analysis of 501(c)(3) organizations that lobby. On the basis of this work, the lobbying activities of 501(c)(3) organizations appear rather limited in scope and magnitude: Few groups lobby, and those that do spend relatively small amounts of money on it. Legislative activity is concentrated in several states and within only a few broad types of organizations, especially those related to education and health. This analysis indicates that sweeping reform designed to restrict lobbying by 501(c)(3) organizations is not necessary.

This chapter is a small step in a larger research agenda on nonprofit advocacy, including lobbying activities. New data sources will soon provide the nonprofit community with more complete information on 501(c)(3) advocacy. Nevertheless, additional surveys that ask in-depth questions about all aspects of nonprofit advocacy should also be designed, implemented, and studied. It is time for one of the sector’s most important, yet understudied, roles—that of advocate—to be better understood. Policy and practice depend on it.

NOTES

1. Much of the data analysis in this chapter was originally prepared for “Civic Participation and Advocacy in the Nonprofit Sector,” a chapter written by Elizabeth T. Boris with Jeff Krehely, which will be included in the forthcoming State of the Sector, edited by Lester M. Salamon.

2. Each year of the Core Files lags by one year. The 1999 Core File contains primarily 1998 data, with primarily being the key word, because only about 60 percent of the data are actually from 1998. The other 40 percent come from late filers from 1996 and 1997 and organizations with atypical fiscal years.

3. The IRS defines “grassroots lobbying” as “any attempt to influence any legislation through an attempt to affect the opinions of the general public or any part of the general public.” Communications to organization members are treated more leniently than are communications to nonmembers. See IRS 2000 for more information.

4. The IRS defines “direct lobbying” as “any attempt to influence any legislation through communication with: Any member or employee of a legislative body, or any government official or employee (other than a member or employee of a legislative body) who may participate in the formulation of the legislation, but only if the principal purpose of the communication is to influence legislation.” Again, see IRS 2000 for more information.

5. For a broad discussion of nonprofit advocacy activities, see Reid 1999, 2000.

6. This chapter updates some of the work Boris and Mosher-Williams did on lobbying expenditures of 501(c)(3) organizations. Their analysis on such expenditures was based primarily on 1995 data, while this chapter uses 1998 data. However, their data construction is not replicated here.

7. As a comparison, in 1989, these seven states and the District of Columbia accounted for 43 percent of all organizations reporting lobbying expenses, and 54 percent of all money expended on lobbying. These numbers are fairly consistent across the decade.
8. For more detailed information on the NTEE classification system, see http://nccs.urban.org/ntee-cc/index.htm or National Center for Charitable Statistics 1998.
10. Work being done on a new program classification system will help to identify what organizations actually do. See Lampkin, Romeo, and Finnin 2000.
11. This drawback to the data does not mean more government regulation of charities is needed. Additional research (such as broader survey work in the sector) would be an effective remedy.
12. The new data set is officially named the NCCS/PRI National Nonprofit Organization Database.

REFERENCES

### National Taxonomy of Exempt Entities Profile of 501(c)(3) Organizations, 1989 (Dollar Figures Are in 1998 Dollars)

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### Appendix Table 5.A  (Continued)

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<td>3.6</td>
<td>9,201</td>
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<td>2,767</td>
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<td>X — Religion-Related, Spiritual Development</td>
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<td>Y — Mutual/Membership Benefit Organizations</td>
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<td>.12</td>
<td>116,815</td>
<td>233,629</td>
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<td>Z — Unknown</td>
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<td>1.8</td>
<td>3,224</td>
<td>276,677</td>
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<td><strong>Total</strong></td>
<td>137,799</td>
<td>100.00</td>
<td>1,605</td>
<td>100.00</td>
<td>6,467</td>
<td>56,486,843</td>
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*Source: National Center for Charitable Statistics Core Files, 1990.*

*Note: Percentages may not add to 100 due to rounding.*
Private foundations have been critical to the growth of contemporary nonprofit political advocacy. Many of the leading national nonprofit advocacy organizations—the NAACP, the Industrial Areas Foundation, Common Cause, the Natural Resources Defense Council, the Environmental Defense Fund, and Public Citizen, to name a few—were initially created or greatly strengthened by support from private foundations and public charities (Berry 1977, 1997; Jenkins and Halcli 1999; McFarland 1988; Walker 1991). In a recent analysis of the major environmental organizations, Brulle (2000, 251–255) found that foundation grants make up between 15 and 25 percent of the total revenues of the leading 87 national environmental organizations, second only to membership dues and individual donations. In earlier work (Jenkins 1989, 1998; Jenkins and Halcli 1999), I showed that this social movement philanthropy is a very tiny but highly leveraged sector of private philanthropy that has become a significant force in sustaining a wide variety of social movements.

Critics have challenged the legitimacy of social movement philanthropy. Conservatives argue that allowing foundations to make tax-exempt contributions to social movement groups constitutes a tax subsidy for private political expression and stirs up baseless grievances, thereby weakening public authority (Bennett and DiLorenzo 1985; Hart 1973; McLlaney 1980; Nagai, Lerner, and Rothman 1994). Leftists have also been skeptical, questioning the motives of this “gilded guilt” and arguing that social movement philanthropy allows the wealthy to retain private control while “cooling off” social movements that might otherwise have brought about major social changes (Arnove 1980; McAdam 1982; Piven and Cloward 1977; Roelofs 1983, 1987). At the center of these discussions is the compatibility of upper-class patronage of social movements with political democracy. Defenders of social movement philanthropy argue that it strengthens democratic institutions by providing a voice to underrepresented interests, thus creating a more open political system and greater diversity among decisionmakers. The critics argue back that it allows a self-designated wealthy elite to promote their own definitions of desirable social change without
being accountable to either the general public or the constituencies they claim to be helping.

Key to these discussions is the meaning of democracy and its relationship to the public interest. There are three general models of democracy: (1) a political representation model, which focuses on formal leaders and organizational representation; (2) a participatory model, emphasizing direct participation in decisionmaking; and (3) a descriptive model, which focuses on the fit between the social makeup of the community and the social backgrounds of decisionmakers (Barber 1984; MacFarland 1988, 93–107; Pitkin 1967). All three have informed the discussion of social movement philanthropy.

The political representation model, popularly known as “interest group pluralism” (Lowi 1979), asks how well social interests are organized and formally represented in the political system. The basic idea is that all significant social interests should be formally represented in decisionmaking and that bargaining among these representatives ultimately ensures the public good. Democracy, then, is defined procedurally in terms of a bargaining process in which all significant social interests are formally represented. Social movement philanthropy helps underrepresented interests make their voices heard.

The participatory model focuses on the direct participation of all affected parties in decisionmaking. This emphasizes the substantive goal of participation and the benefits it brings in terms of self-development and citizenship, especially the ability to express oneself and to respond to diverse views. Social movement philanthropy, then, is justified because it promotes grassroots participation.

The descriptive model focuses on the match (or lack thereof) between social groups in the political community and decisionmakers. If these are significantly out of balance, an undemocratic elite exists. Measures to ensure demographic representation on foundation boards and to incorporate disadvantaged groups into decisionmaking are central to this model. Because “descriptive democracy” is often treated as a device for ensuring grassroots participation, it is often combined with the other two models.

This chapter addresses three questions about social movement philanthropy. (1) What is its scope and how has this evolved over time? Tracing foundation funding between the early 1950s and 1990, I show that this “risk capital” philanthropy constitutes a tiny portion of foundation giving, at most a little over 1 percent in 1990. Yet movement philanthropy displays considerable stability; it has grown gradually despite considerable turnover in the foundations that contribute, indicating that it has become institutionalized. (2) How have the issues and constituencies that are funded changed over time? In the 1950s and early 1960s, the major focus was race problems and civil rights, with the majority of grants going to racial minority advocates. With the new movements that developed in the 1960s and 1970s, though, a broad array of “middle-class” movements and public interest concerns became central. (3) What has been the impact on American democracy? Here I focus primarily on the organization of nonprofit advocacy, showing that funding has shifted from grassroots advocacy to “professionalized” organizations. While this shift has opened up the political system by making it formally more representative, its impact on participation and descriptive representation has been quite limited.

By a “social movement,” I mean a collective attempt to organize or represent the interests of a previously unorganized or politically excluded group. Social movement philanthropy, then, consists of foundation funding for social movement projects, whether this funding goes to grassroots membership groups, professional advocacy organizations, or institutions such as churches and universities that are sponsoring movement projects. The “foundations” are grant-giving, tax-exempt bodies that are legally chartered as private, corporate, community, or operating foundations, as well as public charities. Table 6.1 charts the trend in annual social movement philanthropy from the early 1950s through 1990. The table is based on content analysis of the annual reports and PF 990 forms filed by 206 private and corporate foundations and public charities.

In 1953, there were only three movement funders: the Field Foundation of New York, the Emil Schwartzhaupt Fund, and the Wiebolt Foundation. They made only four grants, which each had a major impact on movement projects. These grants funded the creation of the legal office in the NAACP, which later became the NAACP Legal Defense and Education Fund (Krueger 1972); launched Saul Alinsky’s Industrial Areas Foundation, which pioneered low-income Mexican-American community organizing (Horwitt 1989); and established the Highlander Center, which launched voter education and union organizing in the deep South and served as a movement “halfway house” for the civil rights movement (Morris 1984). By 1960, there were a dozen movement funders, largely New York–area family foundations concerned with civil rights and low-income community organizing. The NAACP and the NAACP Legal Defense and Education Fund were the largest recipients.

The most dramatic growth in movement philanthropy occurred during the 1960s with the rise of the civil rights movement, student and antiwar protests, the urban riots, and a broad array of new causes. In addition to funding legal action and community organizing, movement patrons supported the sit-in protests, minority voter registration campaigns, union organizing by the United Farm Workers, Mexican-American and Native-American civil rights efforts, and a wide range of new environmental, consumer, and women’s rights projects.

By 1970, there were 65 movement funders who annually donated $11 million to movement projects. Controlling for inflation, this was more than 32 times the funding in 1960. Nonetheless, it represented just over half of 1 percent of total founda-

<table>
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<th>Year</th>
<th>Current $</th>
<th>Constant $ (1982–84)</th>
<th>Pct. of Total Foundation Giving</th>
<th>No. of Funders</th>
<th>No. of Grants</th>
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<td>85,700</td>
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<td>1960</td>
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<td>873,709</td>
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<td>1970</td>
<td>10,973,000</td>
<td>28,281,229</td>
<td>0.578</td>
<td>65</td>
<td>311</td>
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<td>1980</td>
<td>22,863,000</td>
<td>22,747,532</td>
<td>0.814</td>
<td>109</td>
<td>1,235</td>
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<td>1990</td>
<td>88,070,000</td>
<td>67,383,643</td>
<td>1.128</td>
<td>146</td>
<td>3,418</td>
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tion giving. Along with a core of New York–area family foundations, there were new funders such as Nate Sherman—the Midas Muffler entrepreneur in Chicago who helped Ralph Nader launch the Center for Auto Safety—and General Motors heir Stewart R. Mott, whose Spectamur Agendo helped launch the National Abortion Rights Action League, SANE’s nuclear disarmament campaign, Amnesty International, and the antiwar projects of the Fund for Peace and the Indochina Peace Campaign. Large institutional foundations such as the Ford Foundation, Carnegie Corporation of New York, the Rockefeller Foundation, the Sloan Foundation, and the Lilly Endowment contributed most of the movement funding. Under McGeorge Bundy’s leadership, the Ford Foundation funded all of the national civil rights organizations and created a new set of political advocacy organizations such as the National Council of La Raza to serve as the “NAACP for Mexican Americans,” the Mexican-American Legal Defense Fund, and an entire set of public interest law firms in the areas of the environment, consumer protection, and women’s rights. Carnegie Corporation gave $55,000 to Ralph Nader to create the Center for the Study of Responsive Law, $20,000 to John Gardner to seed Common Cause, and $10,000 for launching the National Committee Against Discrimination in Housing. There were also corporate foundation funders such as Cummins Engine, which emphasized civil rights and community organizing; the Borg Warner Foundation, which funded advocacy on racial discrimination in housing and employment; and the George E. Johnson Foundation, then the only foundation established by an African American, which funded the civil rights movement.

A new set of public charities also were created to fund movement efforts. In 1963, several wealthy New Yorkers created a public charity called Joint Foundation Support to provide technical support for their tax-deductible movement giving. In 1970, Ralph Nader used the settlement from his successful suit against General Motors to create the Public Safety Research Institute, which received foundation grants that were then dispersed to other Nader groups, such as the Public Interest Research Groups, the Agribusiness Accountability Project, and Congress Watch. In San Francisco, peace activists founded the Agape Foundation using small donations and benefit concerts by Joan Baez and Gordon Lightfoot to promote pacifism and the philosophy of nonviolence. Recognizing the tension between participatory democracy and the privileged control of wealthy donors, Agape created a community funding board that included movement activists to decide where to invest the grants.

The 1970s witnessed a near doubling in the number of movement funders (from 65 in 1970 up to 109 in 1980) and movement grants (from 109 in 1970 up to 1,235 in 1980) but a 20 percent decline in the constant dollar value of movement funding (table 6.1). The stock market decline resulting from two oil shocks and economic recessions cut significantly into foundation giving. Nonetheless, foundation giving to movements inched upward to just over half of 1 percent of total foundation giving.

A new group of “alternative” public charities modeled on the Agape Foundation also sprang up in the 1970s. First was the Vanguard Foundation, a public charity organized in San Francisco in 1972 by Obie Benz and several wealthy young inheritors who had been active in the antiwar and civil rights movements. Within a few years, six more had been launched: Haymarket People’s Fund in Boston; Liberty Hill Foundation in Venice, California; the McKenzie River Gathering in Portland, Oregon; Liberty Hill in Santa Monica, California; Bread & Roses in Philadelphia; and North Star
in New York City. Chartered as public charities, they created community funding boards of local activists and, for donors who wished to select the recipients of their grants, a donor board (Ostrander 1995). Typically, donors were allowed to make specified donations through the donor board as long as they contributed a base amount to the community funding board. Most of these grants were tiny, ranging from $200 to $1,000, and were directed at local organizing projects such as rape crisis centers, tenant organizing, prisoners’ rights groups, protests against nuclear power, and community advocacy for the homeless and disabled. In 1979, all seven banded together to create the Funding Exchange as a technical resource center to promote the alternative foundation effort.

Social movement communities also created several new public charities by raising funds from small donors. In San Francisco, the Genesis Church founded the Third World Fund to link domestic minority struggles with those in the Third World. The projects it funded included the American Indian Movement, the Leonard Peltier Defense Committee, the antiapartheid boycott against South Africa, and the founding of the U.S. Committee on Central America. On Long Island, the North Shore Unitarian Church created the Veatch Foundation, which funded peace, women’s rights, hunger, and Third World advocacy movements. In New York, feminists created the Ms. and Astrea Foundations to fund women’s rights projects. In Boston, the A. J. Muste Memorial Institute was launched to provide legal defense for conscientious objectors, antiwar organizing, and training in pacifism. In Philadelphia, the People’s Fund supported transit worker union organizing, the nationalist Puerto Rican Socialist Party, and the Venceremos Brigade to promote change in U.S.-Cuba relations.

The 1980s witnessed renewed growth in social movement philanthropy. Despite the rise of the “new right” and the conservative trends associated with the Reagan and Bush administrations, by 1990 there were 146 foundations, which invested more than $88 million in movement projects, an increase in constant dollar terms (i.e., controlled for inflation) of about 250 percent over 1980. Although this giving to movements was only a tiny portion of total foundation giving, its continued growth—up to 1.1 percent of total foundation giving—indicated that social movement philanthropy had become institutionalized. More than a third of the funders were new, and a detailed comparison of their funding priorities showed no differences between the new and the older movement funders. There was, however, further geographic dispersion: Only a third of the movement funders were located in New York; the others were now found in Austin, Boulder, Seattle, Atlanta, Dayton, and Oakland. The Funding Exchange grew to 11 members, and an additional 12 public charities were launched.

Significantly, this growth occurred during the conservative 1980s. During the first Reagan administration, the Internal Revenue Service audited several movement groups and the Rosenberg Foundation in San Francisco, contending that they were commercial ventures that did not warrant nonprofit status or that they were significantly involved in political lobbying (MacKenzie 1981). However, none of these charges stuck, and subsequent attempts in Congress to eliminate foundation and governmental funding for nonprofit advocacy have failed (Greve 1987; Shear 1995). If anything, there was a backlash against a conservative White House and administration with controversial figures such as James Watt and Anne Gorsuch in the Department of the Interior creating a perceived threat to the environment, which spurred
movement funders to invest more. New movement causes, such as the gay/lesbian and animal rights campaigns, also garnered new advocacy funding.

Table 6.2 shows the types of foundations and the size of their grants. We distinguish four types of movement funders: (1) family foundations, in which the original donor or family members remain on the board; (2) institutional foundations, in which donors and family members are no longer present and control has shifted to business associates, social notables, community leaders, and professional experts; (3) social movement public charities, which mobilize support from a large number of small donors; and (4) alternative foundations, which use public charity status to raise funds from both large and small donors and use community funding boards to make at least some funding decisions.

Over these four decades, family foundations have been the most common, but in financial terms the institutional foundations have been dominant. During the 1960s and early 1970s, the institutional foundations like Ford, Carnegie, and Field were central, making large grants of $1 million and more that made it possible to create an array of new advocacy organizations. During the later 1970s and the 1980s, the growth of family foundations, movement charities, and alternative foundations shifted the balance, making up more than half of social movement giving. The mean size of grants reflects the assets of the foundations, with the large institutional foundations making large grants of $50,000 to $100,000 and the family and movement charities making medium-sized grants of $10,000 to $20,000. In financial terms, the tiny grants of the alternative foundations make up less than 2 percent of movement philanthropy.

The Changing Priorities of Social Movement Philanthropy

The priorities of movement funders have shifted over this period. Table 6.3 charts the issues and constituencies that received foundation support, and table 6.4 shows the types of organizations that received funding. In the context of table 6.3, the major distinction is between funding for disadvantaged groups, such as racial minorities and the poor, and funding for the “middle-class” movements promoting women’s rights, peace, environmentalism, and consumer protection. The figures in table 6.4 are more relevant for gauging the organizational impact of social movement philanthropy. Here I distinguish among four types of movement groups: (1) indigenous or “grassroots” groups that have a chapter structure and associational membership or are involved in community organizing; (2) professional advocacy organizations that rely on a professional paid staff to speak for constituencies but largely mobilize resources from institutions, direct mail contributors, and the general public and thus lack a direct membership base; (3) technical support organizations that are also professional but focus on providing technical services such as leadership training, administrative assistance, media consulting, and the like to grassroots and professional advocacy projects; and (4) institutionalized organizations such as churches and universities that sponsor movement projects.

In the 1950s and early 1960s, social movement philanthropy was almost exclusively focused on civil rights and low-income community organizing, attempting to bring African Americans and Mexican Americans into the mainstream of American
Table 6.2  Types of Foundations and Their Social Movement Grants, 1953–1990

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Grant Dollars (Current $)

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<td>1.20</td>
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<td>Total</td>
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Mean Grant Dollars (Current $)

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Table 6.3  Percentage of Social Movement Grants to Major Issues, 1953–1990

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<td>50.85</td>
<td>33.95</td>
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<td>16.13</td>
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<td>16.13</td>
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<td>29.03</td>
<td>19.29</td>
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<tr>
<td>Peace and World Order</td>
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<td>5.28</td>
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<td>2.16</td>
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<tr>
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<td>17.75</td>
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<td>4.30</td>
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<td>6.80</td>
<td>9.18</td>
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<tr>
<td>Subtotal</td>
<td>5.61</td>
<td>6.80</td>
<td>9.18</td>
<td></td>
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<tr>
<td>Total of All Movements</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
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Projects such as the litigation program of the NAACP and the Industrial Areas Foundation received most of the funding. Of all movement philanthropy in 1953, 40 percent went to African Americans and the other 60 percent to Mexican Americans. Reflecting the grassroots nature of this early funding, nearly a quarter went to indigenous groups and the remaining 77 percent went to institutions, primarily churches and universities sponsoring civil rights projects.
There was little change by 1960 in the constituencies receiving support. The African-American civil rights movement received more than half of the funding, another quarter went to Native-American and Mexican-American groups, and about 17 percent went to support economic justice, mostly in the form of community organizing by the Industrial Areas Foundation. Professional advocacy and technical support organizations, especially the NAACP Legal Defense and Education Fund, became more central, and grassroots funding declined.

The upsurge of social protest and new social movements later in the 1960s transformed the issues and constituencies receiving support. Although civil rights and the problems of African Americans continued to receive more than a third of all funding in 1970, the social movement field had become more diverse. First, other disadvantaged groups—Mexican Americans, Puerto Ricans, women, children, prisoners, and the disabled—were advancing civil rights and related claims. Second, the definition of “rights” expanded beyond civil rights to include economic security, equal access to education, and social services. Third, a new set of public interest movements emerged, promoting environmental protection, consumer rights, world peace, and governmental accountability. By 1970, the new disadvantaged constituencies drew about 12 percent of the funding and the public interest groups another 16 percent. In relative terms, the major losers were the racial minorities. Professional advocacy and technical support organizations increased and received almost three-fourths of the foundation funding, while indigenous groups received only 15 percent. With the growth of the professional advocacy and technical support organizations, the significance of institutions declined.

The 1970s witnessed further growth in the number of movement organizations seeking support, while in constant dollars the amount of money declined. By 1980, social movement philanthropy in constant dollar terms had declined by almost 20 percent. This produced heightened competition and reinforced the shift in funding away from African Americans and the racial minorities toward the middle-class movements. The African-American movement lost out in absolute as well as relative terms, receiving in 1980 less than 15 percent of all funding and, in constant dollar terms, less than a third of the amount of funding it had received in 1970. The major winners were the women’s movement, which garnered 16 percent of the funding; children’s advocacy with 8 percent; and the public interest groups promoting environmental protection, consumer rights, and the general public interest with regard to such issues as governmental accountability, which together received a quarter of

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<td>Indigenous</td>
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<td>4.1</td>
<td>15.4</td>
<td>21.4</td>
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<td>38.9</td>
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foundation funding. There were also new campaigns on behalf of the aged, gay/lesbian rights, prisoners, and veterans—groups that were not likely to be represented without professional advocacy. In distributional terms, indigenous groups received a slightly larger percentage of the funding, funding for professional advocacy and technical support organizations was stable, and funding for institutions declined.

By 1990, the backlash against the “new right,” combined with economic prosperity, created significant constant dollar growth in social movement philanthropy. In terms of the constituencies and issues supported, this new money followed the main contours of the earlier funding. The middle-class public interest groups, especially those promoting environmentalism, the peace movement, and government accountability, received an increased proportion of the new funding, while racial minorities continued to lose relative ground. The increase in total funding, however, meant that in constant dollar terms African-American funding actually increased by about 15 percent from 1980. The women’s movement and children’s advocacy also declined in relative terms, even though they grew slightly in absolute terms. There was new support for Hispanic advocacy, some of which had previously gone to specific groups such as Puerto Ricans and Mexican Americans. The Midwest farm crisis spurred a growth in rural community organizing. New international issues, such as human rights and refugee problems, spurred new Third World advocacy funding. There was also funding for Jewish civil rights and the animal rights movement. Reflecting the professionalization of movement politics, professional advocacy and technical support organizations received 77 percent of the support and indigenous groups received about 14 percent. Thus, professionalization became even stronger.

Drawing on what Lowi (1979) has called the ideology of “interest group liberalism,” these funders have typically assumed that the public interest is best served by ensuring that all significant social interests are formally represented. The key problem in American democracy is defined as the underrepresentation of disadvantaged and unorganized groups, including the general public. Hence the main funding goes to professional advocacy and technical assistance on behalf of racial minorities, children, the disabled, prisoners, animals, and the general public. This also reflects a broadening of the conception of citizen rights. In addition to basic civil and political rights, these movement projects have expanded the definition of “rights” to include economic security, environmental protection, freedom from the nuclear arms race, and governmental openness and accountability. It is important to keep in mind that many of these issues and constituencies would not otherwise be represented. However, there is also the question of whether there has been significant progress in realizing the other models of democracy.

The Impact of Social Movement Philanthropy

A popular argument advanced by critics of social movement philanthropy is the social control thesis. According to this argument, movement philanthropy “defangs” the movements, either directly by co-opting movement leaders into the system and moderating movement goals (Roelofs 1983, 1987) or indirectly by promoting less militant, moderate alternatives and encouraging movement leaders to focus on organization building at the expense of mobilizing protest (Haines 1988; McAdam 1982;
Piven and Cloward (1977). Piven and Cloward (1977) apply this thesis to the civil rights and welfare rights movements, arguing that foundation and governmental funding diverted organizers from protest to organizing membership. Because protest was the major source of civil rights and welfare rights victories, this change in focus blunted the impact of the movement. Haines (1988) argues that foundation support went overwhelmingly to the less militant, more moderate civil rights organizations, including the professional advocacy organizations, in a “radical flank” effect that defused protests. In a similar vein, foundation funding of the environmental movement has largely gone to professional advocacy organizations and avoided those with “deep ecology” and broader social change goals and democratic structures (Brulle 2000; Dowie 1995).

In earlier work on the civil rights movement (Jenkins and Eckert 1986), I argued a channeling thesis, which states that the major impact of social movement philanthropy is on the form of political organization, especially the rise of professionalized advocacy, but that this had no impact on movement goals. Civil rights protest declined because of many factors, not simply because of changes in foundation funding. In addition to psychological exhaustion and activist turnover, civil rights protest declined as a result of victories such as the Civil Rights Acts of 1964 and 1965 and related court victories, the diminished usefulness of protest as a tool for attacking the new issues of economic and housing discrimination, and the development of a more restrictive political environment (including a white backlash against the urban riots and affirmative action and police repression of the militant Black Power advocates), which blunted the effectiveness of protest. The radical flank did reduce the central role of grassroots groups in the movement by building up professionalized organizations, which were not likely to organize protests. At the same time, African-American protest did not disappear completely, and the general political, economic, and social agenda of the African-American movement remained constant. Through court cases, lobbying, and public education efforts, professionalized advocacy also contributed to the implementation of several of the civil rights gains that protest had helped secure. Although the growth of professional advocacy did indirectly reduce the role of indigenous groups, it did not transform the goals of the movement and did contribute to implementing many of the gains of the movement.

How do these social control and channeling arguments fare outside the civil rights experience? In work elsewhere (Jenkins and Halcli 1999), I traced the development of total movement activity and social protest as reported in the New York Times and its relationship to foundation funding for the civil rights, peace/antiwar, women’s, and environmental movements between 1950 and 1980. In the civil rights and peace movements, movement activity was based on indigenous groups and ran ahead of foundation funding by six to eight years. Foundation funding was only significant after the peak in movement activity and protest, suggesting that there may have been a radical flank effect, with growth in foundation funding and professionalized advocacy and a decline in protest. There was little funding for the peace and antiwar movement, which was more controversial in that it raised questions about the state of national security.

The channeling argument appears to fit the women’s movement, which emerged in the mid-1960s with an indigenous base in the National Organization for Women (NOW) and the Women’s Equity Action League (WEAL). By the mid-1970s, the
movement had expanded its goals from a focus on “special needs” concerns to a broad gender equity program with the Equal Rights Amendment (ERA) as its cornerstone. Foundation funding developed in the early 1970s, lagged behind movement activity by only a few years, and grew steadily through the early 1980s. Indigenous groups received almost 40 percent of foundation funding and were involved in a slightly greater percentage of the movement’s activity, with a gradual growth in professional organizations after 1975. This political agenda changed dramatically with the Reagan election in 1980 and the growth in Republican strength in Congress, which put the movement on the defensive. With the defeat of the ERA in 1983, the movement shifted back to special needs issues and brokering compromises with congressional moderates (Costain 1992, 100–121). While foundation funding did channel the movement by strengthening professional groups, the major factor shaping the movement agenda was the opportunity for political influence.

The environmental movement, in contrast, had a simultaneous growth in movement activity and foundation funding and a central role for professional organizations from the outset. The movement emerged in the mid-1960s and was focused on curbing air and water pollution, including urban smog and DDT’s impact on wildlife survival, and protecting the national parks system. There was minimal protest, and from the outset, professional advocacy organizations such as the Natural Resources Defense Council and the Environmental Defense Fund constituted more than two-thirds of total movement activity and received more than 80 percent of the foundation funding. Indigenous groups such as the Sierra Club and Friends of the Earth received only 7 percent of the funding. There was no lag between foundation funding and movement activity, which grew steadily through the 1970s. Instead of being curtailed by a “control” effect, protest increased in the late 1970s and 1980s, with demonstrations against nuclear power, toxic waste dumps, and chemical spills. Although foundation funding may have channeled the movement into professional forms, it did not divert the movement agenda, which if anything grew to encompass broader environmental risks, including “deep ecology” and “eco-feminist” concerns and public policy debates about depletion of the ozone layer and global warming. In the 1970s, the environmental movement scored major policy victories, expanding water and air pollution controls, protecting endangered species, and strengthening the national parks system. Although the Reagan administration countered many environmental initiatives, the movement used these attacks to mobilize funding and public opinion to block many of the Reagan initiatives. Ironically, the election of Bill Clinton in 1992 removed the target, making it more difficult to raise environmental funding (Bosso 1995). This outcome is compatible with a channeling thesis but not with the social control argument.

Nonetheless, Brulle (2000) argues that foundation funding has blunted the political impact of the environmental movement by providing incentives for movement leaders to focus on professional advocacy and allowing them to maintain oligarchic patterns. If the mammoth Nature Conservancy is excluded, 54 percent of all environmental funding by foundations in 1995 went to oligarchic organizations (Brulle 2000, 259). Internal democracy is not typically a criterion in foundation funding. At the same time, the typical environmental organization is oligarchic regardless of its ideological stance, and the more militant deep ecology and eco-feminist organizations receive about the same proportion of their incomes from foundation grants (Brulle
2000, 203, 220, 252). Thus, the links among foundation patronage, internal oligarchy, and environmental militancy are indirect.

An informative parallel is the homeless movement, studied by David Snow and associates (Cress 1997; Cress and Snow 1996; Snow et al. 2000). These researchers showed that local patrons, including churches, social service organizations, and private foundations, are critical to the viability of the local homeless groups and their impact on cities’ homeless policies. They also found that churches and social service organizations are more supportive of groups using disruptive and illegal tactics like blockades, sit-ins, and occupation of buildings. Yet private foundations and government agencies also supported homeless groups that used demonstrations, marches, and rallies, indicating significant tolerance for legal protest. These authors also found no evidence of social control. The institutional patrons of homeless groups typically endorse the goals and tactics of the groups, which remain constant after receiving patronage, and such patronage is critical to the survival of these groups and the success of their policies. The impact of patronage thus appears to be more indirect, depending on institutional selection of groups that fit the agenda and priorities of the institutional patrons. Foundations are more conservative but are often willing to accept legal protest as central to organizing on behalf of the homeless.

These studies suggested that foundation patronage may be critical to the development and impact of movements, especially for disorganized and resource-poor groups. The homeless, prisoners, children, and the aged are not likely to organize and advance their own interests. At the same time, foundations are conservative and favor less militant, moderate organizations, especially professionalized advocacy and technical service organizations. Instead of a “control” process in which foundations “cool off” movement leaders and divert them from their goals, there is an institutional selection process in which foundations fund groups that have legitimate and familiar forms of organization, a demonstrated track record, and legal or institutional precedents for their projects and are not likely to become controversial. McCarthy, Britt, and Wolfson (1991) argue that institutional channeling strongly encourages movements to organize as nonprofits. In this process, foundations typically assign little weight to grassroots organizing and internal democracy. This kind of incremental professional approach is often disappointing to movement activists, who have broader goals and expectations, which explains in part the perennial controversies over social movement philanthropy.

Conclusions

Social movement philanthropy is an institutionalized force in American politics. Although it constitutes only a tiny portion of institutional philanthropy, probably little more than 1 or 2 percent of total foundation giving, it is a highly leveraged form of “risk capital” philanthropy that has had a significant impact on contemporary social movements. Social movement philanthropy has facilitated the development of several of these movements by providing organizational resources, legitimacy, and broad political support. It has also strengthened nonprofit political advocacy and the incremental changes that are possible through this type of organizing. In the process, it has channeled these movements into professionalized organizations that “speak for” but
do not directly organize the grassroots. Thus, some observers have criticized foundation patronage for blunting and derailing movements. The evidence shows, however, that the process is more one of institutional selection, with foundations selecting movement organizations based on legitimate organizing methods, promising legal precedents, and avoidance of controversy. Thus, institutional channeling works to put most foundation resources into moderate and professionalized organizations. It is also plausible that in the absence of foundation patronage, movement leaders would invest more in grassroots organizing and the development of “strong democracy” (Barber 1984). At the same time, it is also true that in the absence of foundation patronage, many of these professional advocacy organizations would never have been formed or sustained and their impact on policy and institutional reform would have been minimal.

The impact of social movement philanthropy depends on the model of democracy used to measure it. By the criterion of formal representation, it has greatly boosted the representativeness of the system. Not only has the pool of movement funding increased across the past four decades, but the number and diversity of groups and issues supported has also expanded greatly. Drawing on the idea of “interest group liberalism” (Lowi 1979), foundation support has helped ensure the formal representation of otherwise unorganized and underrepresented interests. The emphasis has been on middle-class movements, such as the women’s movement, environmentalism, and the push for government accountability, but it has also included organizing poor people and advocacy for racial minorities, prisoners’ rights, and Third World issues.

Foundation support has contributed less to the democratic ideals of grassroots participation and descriptive representation. The major recipients of foundation patronage are professionalized organizations lacking a grassroots base. Although these organizations are often vital to maintaining movements and implementing legal and other gains, professional movements contribute little to the other democratic criteria. Participation is often limited to “checkbook” donations, and foundations put little emphasis on grassroots organizing and internal democracy. Professional advocacy and technical support organizations receive approximately 80 percent of foundation funding.

A fruitful avenue for foundations to consider is the funding of grassroots organizations and internal democracy. This may make recipients less predictable and may involve foundations in controversial actions, but it promises to have a greater impact than the funding of professionalized groups. Grassroots groups have longer-term staying power and can make stronger claims to public support than professionalized groups can. A related measure is to link funding for professional organizations to grassroots organizing. The recent funding of voter registration by the NAACP was linked with membership organizing by the NAACP, which magnified the impact on voter turnout and promised a long-term basis for African-American organizing (Booth 2000). Thus, professional organizing may be designed to reinforce and benefit indigenous organizing. Foundations should also expand their investment in social movements. Many foundations mistakenly think that funding political advocacy is illegal or that it exposes them to tax penalties. Most nonprofit advocacy, however, is legal; only “substantial activity” in direct lobbying and campaign endorsements are restricted by law. Broad public education, grassroots organizing and lobbying, and political advocacy not targeted to directly influencing elected officials are not
restricted. The tax-exempt status of private foundations is legitimized by the claim that foundations engage in risk-capital philanthropy. What could have a stronger impact on social innovation than support for social movements?

NOTES
1. The list was compiled from the membership of the National Network of Grantmakers, an association of progressive funders that promotes movement funding (Shellow 1981, 1985); Richard Parker’s 1983 directory of progressive funds; and nominations by foundation directors and movement leaders.
2. We also include in this category eight corporate foundations, six community foundations, and one operating foundation that made social movement grants over the past four decades. They are directed by corporate leaders and community elites and hence closely resemble the institutional private foundations.
3. Here I refine Zald and McCarthy’s 1987 distinction between professional social movement organizations and “classical” or membership-based organizations.

REFERENCES


Momentumous events took place in the United States during the 1960s. President John F. Kennedy challenged the nation to “ask not what your country can do for you—ask what you can do for your country,” thereby stimulating a love-in for government and public policy. The civil rights movement grew substantially and matured politically. President Lyndon Baines Johnson proclaimed and funded a massive federal War on Poverty. The country’s first major race riot since World War II flashed in Watts, a section of Los Angeles, followed by similar race riots in other cities. The Vietnam War grew into a monster, and stateside protests became everyday occurrences. Betty Friedan articulated women’s quest for equality, sparking the modern women’s movement. Rachel Carson penned *Silent Spring*, paving the way for the modern environmental movement. The defeat of Barry Goldwater in his run for the presidency galvanized the formation of the modern conservative political movement. Working-class white males began rejecting the preferential treatment being given to blacks and women.

During this decade of profound social change, a few foundations supported highly controversial activities, thus incurring the wrath of key congressional leaders. These controversies, along with other foundations’ financial abuses of their tax-exempt positions, led to the Tax Reform Act of 1969, which initiated substantial new regulation and taxing of private foundations.

To counter this destabilizing situation, John D. Rockefeller III organized the Commission on Private Philanthropy and Public Needs (the Filer Commission). The Donee Group, led by Pablo Eisenberg, was subsequently organized to offer non-establishment perspectives on the Filer Commission’s deliberations in 1973–75. The Donee Group produced several papers decrying the very limited philanthropic funding of social activism and nonprofit advocacy (Asher 1977; Carey 1977; Smith 1977; Tully 1977). Additionally, in a keynote address at the Council on Foundations annual conference, noted foundation leader David Hunter (1975) castigated foundations for their failure to support the civil rights movement.
Emerging from the momentous 1960s, the national deliberations of the Filer Commission and the Donee Group, and Hunter’s challenge were new roads for philanthropy in funding progressive social movements, social change, and nonprofit advocacy. These new roads could be termed a main road, an alternative road, and a grassroots road. These roads were not paved with gold—although a thin veneer of gold provided the mirages of support that led social-change leaders to continue to expect more gold around the bends. A fourth new road for philanthropy—a conservative road—emerged from Goldwater’s defeat in 1964 as the modern conservative political movement began.

Where have these four roads led? What is their significance today within philanthropy? What have changes wrought by the four new roads of philanthropy meant for democratic policymaking in America? As the conservative political movement continues to gain headway and as progressive influence declines, why have progressives been so slow to respond to their political decline? Why has foundation funding of progressive social movements and social action failed to reverse this decline? Did progressive control of Congress until 1995 and foundation project grants collude to consign progressives to ineffective “policy silos” in recent years? These are the primary questions this chapter will address.

The Main Road: Mainstream Foundation and Corporate Funding of Progressive Causes

In his exploratory work on funding of nonprofit advocacy, Salamon (1995) wrote, “Of all the functions of the nonprofit sector, few are more critical than that of advocacy, of representing alternative perspectives and pressing them on public and private decision makers” (1). Smith (1997) observed that

Specific major changes in the broad sweep of American history have been the result of various women’s groups on women’s rights . . . abolitionist groups for the eventual abolition of slavery in the 1860s (Aptheker 1989), civil rights groups for minority rights legislation in the 1960s (Blumberg 1991), antiwar groups for the ending of the Vietnam War in the early 1970s (Chatfield 1992), gay and lesbian rights groups for recent nondiscrimination legislation (Adam 1987), children’s rights groups for recent protective legislation (Hawes 1991), and so on for many other egalitarian changes in our history (294).

Salamon’s exploratory work concluded that private philanthropic support (as well as government support) “seems far more likely to stimulate nonprofit advocacy activity than to retard it” (18). He also found that advocacy was correlated with support from foundations, United Ways, and religious federations and was not correlated with giving by corporations and individuals.

Politically conservative scholars contend that mainstream foundations provide substantial money to progressive causes. In 1994, Nagai, Lerner, and Rothman wrote, “Given the well-documented liberalism of the academy and U.S. intellectuals, and the close relationship of both to foundations, one would predict a continued pre-
ponderance of funding oriented toward (the proposing of) liberal policy. . . . Independent foundations give to activist groups seeking to alter government policy. . . . Most recipients of such funds are either liberal or radical leftist groups” (36–37, emphasis added). However, coming from a different political perspective, Carson (1999) asks, “Why has institutional philanthropy, widely believed to be the primary source of venture capital for new and controversial ideals, apparently not fulfilled this role in the area of social justice advocacy?” (269).

Considering these somewhat contradictory assessments of foundation support for progressive causes, what can the data and case studies about trends in foundation funding tell us? Jenkins first looked at foundation funding of progressive social movements using 1953 data, identifying only $85,700 in grants, or 0.00001 percent of all foundation grants. By “social movement” he meant “a collective attempt to organize or represent the interests of a previously unorganized or politically excluded group.” The 1960s had an important influence on this situation, because by 1970 the amount given had grown to $28 million, or 0.6 percent of all foundation grants (Jenkins and Halcli 1999). Nevertheless, by 1990, Jenkins and Halcli could document only a modest increase over the 20 years since 1970. Progressive social movement grants had grown to $88 million, but were only 1.1 percent of all foundation grant monies. Thus, 99 percent of foundation money did not fund progressive social movements in 1990.

In the early 1990s, the National Committee for Responsive Philanthropy (NCRP), successor to the Donee Group, conducted in-depth studies of 10 of the largest community foundations that, in part, supported Jenkins and Halcli’s finding. These studies were based on 582 mostly on-site interviews. Covington’s summary of these 10 studies concluded,

Of the grants awarded primarily to benefit the disenfranchised . . . most of the community foundations preferred to support the more established nonprofit organizations engaged in social service provision. The low level of support awarded to community organizing, public policy initiatives, issue advocacy or institutional reform activities suggests that community foundations do not consider social action to be a social good. . . . In sum, neither equity nor empowerment are the primary values in the community work of most community foundations (1994a, 48, 50).

When focusing on the community foundations’ efforts in support of citizen empowerment, Covington added that “the level of community foundation support for citizen empowerment projects and social action organizations in low income and other disenfranchised communities was exceedingly low” (1994b, 6).

The National Network of Grantmakers (NNG) recently concluded that foundations give more for social change than the foundation giving for social movements documented by Jenkins and Halcli (1999). In 1998, the NNG released a research report based on a survey of its 160 members and on data from the Women’s Funding Network. NNG found that foundations and religious funders made grants of $336 million for progressive social change in 1997, accounting for 2.1 percent of all foundation funding (National Network of Grantmakers 1998); and double the percentage Jenkins and Halcli documented for foundation giving to progressive social movements.
Does this mean that foundations are continuing to increase their funding of progressive social movements, albeit marginally? Not necessarily; the Jenkins and Halcli and NNG studies are not exactly comparable. Jenkins and Halcli used a strict definition of social movement funding in coding foundation grants (see above), while NNG collected data through its members, who were allowed to designate “their own ‘social change’ grants according to each organization’s grant making philosophy,” which meant that “definitions . . . [varied] widely from one institution to another” (Aileen Shaw, e-mail to the author, July 25, 2000). Nevertheless, the studies of Jenkins and Halcli, Covington, and NNG do not support the politically conservative prediction of Nagai, Lerner, and Rothman that a “preponderance of [foundation] funding [is] oriented toward [proposing of] liberal policy” (1994, 36). The empirical study of all large foundations’ public policy grants by Nagai et al. does not support their prediction. They tallied $170 million in grants in 1986 and early 1987 to “liberal groups . . . for public policy” (128), an amount equal to only 2.7 percent of all foundation grants in 1986 (Renz 1991).1

Because the civil rights movement gave racial/ethnic minorities unparalleled leverage over corporations during the past quarter century as the corporations implemented (or delayed) legally required affirmative action regarding employment and government contracting, NCRP sought to ascertain the state of corporate funding targeted for racial/ethnic populations. Three reports were issued between 1993 and 2000 (Paprocki and Bothwell 1993; Paprocki and Bothwell 1995; Paprocki 2000a).

In the NCRP corporate studies, the category of funding that is closest to being pure social change is the category of “civil rights, race relations, and advocacy.” These numbers may be the most telling regarding what is happening to corporate funding of social change. In 1988, the top profit-making companies gave 2.0 percent of their total grants to this category. In 1993, the top telecommunications companies gave 1.6 percent. In 1995, the top companies in 15 other major industries gave only 0.5 percent (Paprocki 2000b).

The Foundation Center data are similar to the NCRP data. The Center reports that corporate foundations gave 1.0 percent for “civil rights and social action” in 1989 (1988 data were not available), dropping to 0.7 percent in 1993 and 1995 (Renz 1991; Renz, Lawrence, and Treiber 1995; Renz, Mandler, and Tran 1997).2

Corporate support for advocacy by and for racial/ethnic minorities at this level is proportionately comparable to foundations’ support for progressive social movements and social change, according to Jenkins and Halcli and NNG. These findings challenge Salamon’s exploratory assessment that there is no correlation between corporate support and nonprofit advocacy.

The conservatives, on the other hand, had no doubt about this linkage. In 1987, the Capital Research Center initiated a series of reports that rated corporate funding of progressive nonprofits. These reports were disseminated to directors of major corporations nationwide with the intent of reducing this funding (Olasky 1987; Meiners and Laband 1988; Bennett 1989; DiLorenzo 1990). A few years later, Ransom (1990) documented anti-abortion activists’ attacks on corporations for their grants to women’s organizations advocating pro-choice policies.
The Alternative Road: Building New Progressive Funding Institutions

But while this national picture of mainline corporate and foundation funding of progressive social movements and social change was emerging, events in Los Angeles, Madison (Wisconsin), Philadelphia, and New York City resulted in the growth of a major movement of alternative funding institutions; these institutions raised $86 million for progressive social change in 1998. This amount equals one-quarter of what NNG documents for philanthropic funding of progressive social change. Also, as a proportion of all foundation grants, the alternatives’ $86 million for social change equals 0.5 percent, or about half of the 1.1 percent Jenkins and Halcli documented for all philanthropic grants for social movements eight years earlier (see table 7.1). As table 7.2 shows, there are 10 types of alternative funding institutions, involving more than 244 individual funds, which raised the $86 million.

While the religious funders are all national in scope, most of the alternative foundations and alternative funds are local or state-based. The alternatives’ primary activities are to raise money in annual campaigns and give away most of it the same year. They raise money from individual donors (middle-class donors as well as wealthy ones), bequests, church members, employee payroll deductions at the workplace, United Ways, private foundations, and corporations. Many of the alternatives have endowments, but these have been vigorously sought by the alternatives themselves—rather than benignly bestowed by rich benefactors—and they are usually small.

### Table 7.1  Funding of Progressive Social Movements and Social Change, by Alternative Funding Institutions and Foundations

<table>
<thead>
<tr>
<th>Purpose of Funding</th>
<th>Data Year</th>
<th>Researcher</th>
<th>Funding</th>
<th>Pct. of All Foundation Grants</th>
<th>Funders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Progressive Social Change</td>
<td>1998</td>
<td>Bothwell</td>
<td>$86 million</td>
<td>0.5</td>
<td>Alternative funding institutions</td>
</tr>
<tr>
<td>(circa)</td>
<td></td>
<td>2001</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Progressive Social Change</td>
<td>1997</td>
<td>National Network of Grantmakers</td>
<td>$336 million</td>
<td>2.1</td>
<td>Foundations and some alternative funding institutions</td>
</tr>
<tr>
<td>Progressive Social Movements</td>
<td>1990</td>
<td>Jenkins and Halcli</td>
<td>$88 million</td>
<td>1.1</td>
<td>Foundations and some alternative funding institutions</td>
</tr>
</tbody>
</table>

*a. Based on Foundation Center data for each year.*

*b. See table 7.2 for identification of the 10 types of institutions.*
The alternative funding organizations are community based, although often the "communities" are identity based (e.g., African Americans, Hispanics, gays and lesbians) or cause centered (e.g., environment), rather than geographically bound. They are fundamentally "ground-up" rather than "top-down" models, and they both expect and permit more grassroots participation. These institutions should be considered as a group distinct from mainline foundations for the following reasons:

- Every type of alternative, except the religious funders, originated because of grave dissatisfaction with how mainline foundations were conducting their grantmaking or how United Ways were making allocations.
- These alternatives have organized their structures and processes in ways that are often contrary to the hierarchal, top-down ways in which mainline foundations and United Ways operate.
- The alternatives target their grants narrowly to benefit their special "communities" (e.g., women, racial/ethnic groups, gays and lesbians) or, in the case of the Funding Exchange foundations and the religious funders, to benefit low-income, community-based organizations. The alternative funds that solicit at the workplace distribute their collections to their member organizations. (Some mainline foundations target their grants narrowly as just noted, but they are few in number relative to the entire foundation universe.)
- Most of the alternatives are organized as public charities, rather than as private foundations. Among the 47,000 grantmaking foundations tracked by The Foundation Center, the reverse is true, as private foundations far outnumber

Table 7.2  *The Alternative Foundations, Alternative Funds, and Religious Grantmakers Key to Funding Progressive Social Change in the United States*

<table>
<thead>
<tr>
<th>Name</th>
<th>No. of Funds</th>
<th>$ Granted (millions)</th>
<th>Year</th>
<th>Primary Focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Women’s Funds</td>
<td>70+</td>
<td>15.9 (u)</td>
<td>1998</td>
<td>Women and girls</td>
</tr>
<tr>
<td>Funding Exchange</td>
<td>16</td>
<td>13.2</td>
<td>1998</td>
<td>Community-based organizations</td>
</tr>
<tr>
<td>Social Action Funds</td>
<td>44</td>
<td>6.7</td>
<td>1997</td>
<td>Social action</td>
</tr>
<tr>
<td>Environmental Funds</td>
<td>20</td>
<td>12.8</td>
<td>1997</td>
<td>Environment</td>
</tr>
<tr>
<td>Black United Funds</td>
<td>23</td>
<td>4.6 (u)</td>
<td>1998</td>
<td>African Americans</td>
</tr>
<tr>
<td>Native American</td>
<td>32</td>
<td>3.5</td>
<td>1994</td>
<td>Native Americans</td>
</tr>
<tr>
<td>Foundation/Funds</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hispanic Funds</td>
<td>6</td>
<td>0.9</td>
<td>1997</td>
<td>Hispanics</td>
</tr>
<tr>
<td>Asian-Pacific Funds</td>
<td>3</td>
<td>0.3</td>
<td>1997</td>
<td>Asian-Pacific Americans</td>
</tr>
<tr>
<td>Community Funds</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lesbian/Gay Foundations</td>
<td>17</td>
<td>1.6</td>
<td>1998</td>
<td>Lesbians, gays, bisexuals, transsexuals</td>
</tr>
<tr>
<td>Religious Funders</td>
<td>13</td>
<td>26.3 (u)</td>
<td>1998</td>
<td>Community-based organizations</td>
</tr>
<tr>
<td>Totals</td>
<td>244+</td>
<td>85.8+</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*u* = undercounted. The dollar amounts for Women’s Funds, Black United Funds, and Religious Funders are undercounted because several funds provided no data.

*Source: Bothwell 2001.*
the 500 to 600 community foundations organized as public charities under IRS laws and regulations.

Finally, it should be noted that alternative funding institutions also have formed for other purposes. The MacArthur Foundation’s Philanthropy Information Retrieval Project (2001) reported recently that there are now 15 community foundations exclusively funding Christian projects. The foundations have been established, according to the director of the newly formed Tennessee-based Association of Christian Foundations, in part out of frustration with established philanthropies.

The Grassroots Road: Foundation Funding of Progressive Social Change at State and Local Levels

In addition to reporting that 1.1 percent of all foundation grant money in 1990 was targeted to progressive social movements, Jenkins and Halcli also found that only one-sixth of this, or 0.2 percent of all foundation money, went to indigenous organizations (“groups that have a chapter structure and associational membership and/or are involved in community organizing,” [10])—which was a mere $15 million. Translated into 1998 terms, a year when foundation grantmaking was robust, a comparable figure—based on 0.2 percent of all foundation grants—would be $39 million.

The grassroots road, thus, is the one generally not taken by philanthropy, or, one might say, it is the road paved with the thinnest veneer of gold. Grassroots organizations receive little foundation money for a variety of reasons, according to a recent study involving 26 grassroots organizations and 21 foundations (Bothwell 2000). Two-thirds of the grassroots organizations believe they receive an inadequate level of core or general operating support from foundations. The other third are comfortable with the level of support they receive from foundations. However, the latter third receive nearly all their foundation grants as core operating support, while the former two-thirds get only 25 percent for core costs (median and average).

Grassroots organizations that believe they should have more core support made the following comments regarding their reasons:

- We could be more flexible; it would be easier to build long-term capacity.
- We wouldn’t have to do so many little specific projects.
- We could do what we wanted!
- You can’t do a project if you can’t do your core work; you have to take care of basic needs, just like in a family.
- Project dollars don’t pay for essential overhead costs.
- Core support is essential to do actual programs, to maintain the organization, to continue the organization.
- You need core support for necessary shifts in your program; you can’t shift so easily if you are locked into funded projects.
- We need core support to make us a stronger group.
The foundations surveyed clearly indicated that staffing of grassroots organizations is an important variable related to foundation funding. The foundations active in funding indigenous movement groups report they mostly fund organizations with paid staff, while foundations that only occasionally fund indigenous groups say they generally make grants to organizations with a mix of paid and volunteer staff. This is not to say that organizations with only volunteer staff or no staff never get foundation grants. They do. But the odds are longer for them.

Foundations take substantial blame for not providing more grants to grassroots groups. A key reason cited by the foundations is the gap in social class and culture between foundation people and grassroots people. Grassroots organizations also principally blame foundations for denying them grant money. However, only 2 of 26 grassroots leaders identified social class as a reason why foundations don’t fund grassroots groups.

Foundation leaders’ sample comments about the social class and culture gap follow:

- Foundations don’t share the politics of grassroots organizations.
- It is not the culture of philanthropy to change power structures.
- Foundations have a distaste for divisiveness, which grassroots organizations are perceived to embody; foundations are populated by corporate and other people who are likely to be targets of grassroots action.

Carson also has some ideas about social status and foundation funding. In asking why “institutional philanthropy has not played a more prominent role in supporting . . . social justice advocacy” for people of color, white ethnics, and women, he observes that “foundations are created by wealthy people who have benefited from the status quo and who, in social matters, are likely to be more conservative than progressive. . . . Another explanation for the reactive rather than proactive involvement of institutional philanthropy in social justice issues has to do with the racial and ethnic composition of the boards and staffs of foundations. . . . A total of 90% of foundation governing boards and 84% of foundation professional staffs consist of white Americans” (1999, 270).

Covington also addresses this issue, writing, “Most of the projects developed by community foundations to impact poverty or discrimination were designed and implemented by people whose credentials, social status, and occupational status would generally identify them as members of the community elite” (1994b, 8).

A recent study of 73 charities actively engaged in state public policy change on behalf of poor people and other “under-represented communities” reveals that “the number one gap in the [California] public policy nonprofit landscape is the scarcity of foundation funds” (Drabble and Abrenilla 2000, 3). “Foundation funding accounted for 25% of the total budgets of the organizations [studied]” (21). More importantly, “Over half of the total foundation dollars in this sample were distributed among [only] ten of the nonprofit organizations, while many of the remaining 63 . . . received little or no funding for their policy work” (3). “Overall, foundation funding for nonprofit organizations was uneven, transitory. . . . Many respondents noted the instability of
the foundation funding they did receive. A majority of grantees were funded year by year or, if fortunate, for two years” (21). This “prevailing short term grant making is ineffective in creating policy change,” Drabble and Abrenilla conclude (3). “The few organizations that did receive large, long-term grants reported that they were able to be more strategic about their overall activities and policy plans as a direct result of this support” (21).

Foundation funding is “almost always project driven,” report Drabble and Abrenilla (21). “General operating support is rare, but has tremendous potential for advancing policy efforts” (3). Only 16 percent of the total funding from foundations was general operating support. The “study results suggest that increased funding of general operating support would allow public policy nonprofits to respond readily and creatively to emerging policy issues, to increase involvement in policy-related activities, to improve communications, and to provide better education and leadership development in communities” (3).

Looking at national data from The Foundation Center, general support constituted only 14 percent of all foundation grant dollars in 1999, about the same as reported above, whereas program or project support was at 43 percent. (Capital support, unspecified, research, student aid, and other make up the other 43 percent.) “Large, staffed foundations tend to award [an even] greater share of program grants and a lesser share of general support grants” (Lawrence, Gluck, and Ganguly 2001, 39).

Perhaps most significant in Drabble and Abrenilla’s study was the finding of “a tendency between nonprofits and funders to become so categorical in their approaches that the boundaries that define their missions become barriers to permeation and cross-issue connections. Nonprofits often operate in isolation and fail to advance broader changes by working with stakeholders outside of their traditional networks” (3).

The Conservative Road: Funding Strategies to Build the Conservative Movement

Considering that conservatives controlled the White House from 1981 to 1992 and that conservative think tanks at both the state and national level grew in number, size, and influence during these years (Baker and Ransom 1991), the year 1995 looked to be rather pivotal for public policy as conservatives took control of Congress. Covington and Parachini interviewed 44 national foundation executives in the summer of 1995 to discover what new foundation policies and programs were being implemented in the Newt Gingrich era. They discovered that nothing much was being implemented and that most foundations were in only the thinking and planning stage.

None of the foundation representatives . . . indicated that proposed [government] budget cuts or other policy changes [had] caused them to reassess their current program priorities or grant making strategies in a major way. . . . Only two of the 44 foundation representatives interviewed for this study reported
having redirected grant dollars for new program purposes since conservatives gained control of Congress last November. . . . And not a single representa-
tive from the mainstream of the foundation community suggested that an ap-
propriate response might be to support low income and other disenfran-
chised citizens to participate more fully and effectively in defining and shaping pub-
lc priorities. . . . In all the conversations with funders, which included represent-
tatives from large and small, national and local, and progressive and main-
stream foundations, no movement was detected in the grant making com-
munity to redirect grant dollars to community organizing, issue advoc-
cacy, grassroots coalition-building, voter registration and education, or other projects to expand citizen participation, particularly in disenfran-

About this time, while the progressive and mainstream foundations were con-
templating the conservative revolution taking place, NCRP began examining what the conservative foundations had done to build the conservative political and policy juggernaut that had emerged. Covington (1997) reviewed the 1992–94 grantmaking of 12 leading conservative foundations, as well as the missions, activities, staffs, and boards of their major grantees. She documented that these 12 foundations had granted $210 million over that three-year period for support of the conservative policy infrastructure. It is not that the total amount of money was so huge—after all, Jenkins and Halcli had documented that foundations had put $88 million into pro-
gressive social movements in just one year (1990), and the Ford Foundation alone gives away more than $400 million per year. It was the systematic and strategic na-
ture of their grantmaking that riveted the attention of Covington and, subsequently, many in the social activist and foundation worlds.

Primarily at the national level, but also somewhat at the local level, the grantmak-
ing supported creation and development of conservative intellectuals, policy think tanks, alternative media and media watchdog groups, pro-market law firms, and new religious and philanthropic associations. National voices were developed to help the grassroots frame local issues. In addition, promising young people were given fellowships and scholarships to enable them to become conservative movement activists while pursuing their studies. As they completed their college work, they were recruited as prime candi-
dates into other conservative movement organizations. Considerable money was also spent on connecting the national and local levels on a regular basis, both face-to-face in conferences and meetings and through technology (Covington 1997).

This conservative policy juggernaut has had “profound . . . political implications and policy consequences,” reported Covington. “First, heavy investments that con-
servative foundations have made in new right policy and advocacy institutions have helped create a supply-side version of American politics in which policy ideas with enough money behind them will find their niche in the political marketplace regard-
less of existing citizen demand. Second, the multiplication of institutional voices mar-
keting conservative ideas and mobilizing core constituencies to support them has resulted in policy decisions that have imposed a harsh and disproportionate burden on the poor” (1997, 48).

Following up Covington’s report, Callahan examined the missions, policy foci, ac-
tivities, and finances of the top 20 conservative think tanks nationally. He calculated
that these institutions would spend $1 Billion for Ideas (which is also the title of his report) during the 1990s. These ideas include privatization of public goods and services, such as Medicare, Social Security, and education; elevation of the market as “the prime mechanism for social arbitration and resource allocation” (1999, 5); deregulation of occupational health and safety as well as consumer safety and environmental protections; limitation of nonprofits’ rights to lobby; elimination of welfare and other entitlements; destruction of affirmative action; and reduction of government spending and taxes across the board.

Callahan continues, “Early generous support by conservative foundations and wealthy individuals has enabled many of these institutions to develop impressive fund raising apparatuses, allowing them to diversify their funding bases and attract even higher levels of donor support. Many of the institutions examined now receive as much as two-thirds of their funding from individual and corporate supporters” (5). In fact, “significant budget growth characterizes the development trajectory of many of the policy groups [studied] in this report” (29).

In addition, according to Callahan, “There is no mainstream or left-of-center parallel to the critical mass of conservative policy institutions currently operating in the U.S. today. Conservative policy institutions tend to be multi-issue organizations with multimillion dollar budgets, powerful corporate boards, and significant media access” (6).

**Analysis: The Trap of Policy Silos for Progressive Foundations and Nonprofits**

The conservative political movement experienced continual growth from 1964 to 2001. Meanwhile, after their ascendant 1960s and consolidating 1970s, progressives began losing influence once Ronald Reagan became president, and the progressive movement has continued on the downhill slope to this day. Why have progressives been so slow to respond to their political decline? Why has foundation funding of progressive social movements and social action failed to reverse this decline?

After the defeat of Goldwater, conservatives regrouped and began building a political movement, which included the creation of a whole new set of nonprofit support and development organizations. Not only did they think in terms of a movement to take control of government, but also a movement to root out the “liberal rot” in the primary institutions that contribute to public policy formation: academia, the media, the law, religion, and philanthropy.

Liberals and progressives, meanwhile, were locked in their “policy silos”—their nonprofit organizations and government programs were mostly categorically focused. With a plenitude of project grants and contracts from government, and some from foundations, progressive nonprofit advocacy groups worked with congressional and administration allies to produce incremental improvements to low-income housing law; make space for community development corporations; advocate for incremental changes in laws and benefits affecting low-income and welfare families, advocating for all children when financial support was reduced or eliminated for low-income people and welfare recipients; protect gains in the environmental field, occasionally expanding protections; expand the reach of affirmative action; and so on.
As documented earlier, foundation, corporate, and other philanthropic grant money for progressive social movements and social change was quite limited. In an attempt to use this small amount of money efficiently and to increase accountability for its use, foundations focused on policy targets of opportunity. This led to an increase in the proportion of funding for project grants over institution-building, general operating support grants. This project funding aided and abetted development of policy silos and policy incrementalism, at both the national and grassroots levels.

Drabble and Abrenilla found that foundation funding of nonprofit advocacy at the state level was so categorical that the boundaries defining nonprofit missions became “barriers to permeation and cross-issue connections.” Organizations operating in isolation failed to work with stakeholders outside their traditional networks, thereby failing to “advance broader changes” (2000, 3).

Grant seekers can’t change the power imbalance between donors and themselves—donors have money, thus power, and grant seekers want some of this money and power in order to make the world better. However, donors can choose to give money for core organizational funding, rather than for specific projects or programs. Steve Burkeman, secretary of the Joseph Rowntree Charitable Trust in the United Kingdom and author of the annual Allen Lane Lecture in 1999, correctly points out that, by following the project/program course, donors retain maximum control. However, by granting core funding, donors, in effect, transfer “more of the power of choice” to the grantees—“the transfer of money is also the transfer of power” (1999).

Core support can be revolutionary. Perhaps that is why core funding is much more often granted to institutions of higher education or arts and culture—which are not likely to do anything revolutionary—than to grassroots organizations in low-income neighborhoods, immigrant activist groups, or organizations of the disabled and marginalized racial/ethnic groups—which might. One explanation for the correlation between core funding and certain institutions is based on “class affinity.” Staff and board leaders of arts or higher education organizations are fundamentally of the same class as the donors, whereas leaders of many grassroots groups distinctly are not. The donor brain thinks, “We can trust Yale University and the Metropolitan Opera to do the ‘right thing.’ ”

It is instructive to compare the conservative road of philanthropy in funding nonprofit advocacy with the main road taken by other foundations. Perhaps the most significant conclusion by Covington was that, in “funding a policy movement, rather than specific program areas, [the 12 conservative foundations studied] distinguish themselves from the philanthropic mainstream, which has long maintained a pragmatic, non-ideological and field-specific approach to the grant making enterprise” (1997, 48).

As long as Congress remained in the control of the Democrats, liberals and progressives had the ears of congressional leadership and could move their agendas in a limited way, despite the fact that the White House was controlled by conservatives for all but four years during the 1969–1992 period. As Bill Clinton took over the White House in 1993, liberals’ and progressives’ hopes blossomed for the major policy changes they had been denied for so long.

The Clinton White House moved away from progressive agendas, however, after the devastating defeat of its progressive health care policy during the first half of its first term and after its expenditure of substantial political capital when enunciating a new policy for gays in the military. The conservatives then took control of Congress
in 1995 and even the incrementalism of progressive programs came to a halt. The mandate for progressive social change that had originated in the 1960s had run its course. With a few exceptions, there was no one to turn to who controlled any levers of power in Washington.

Progressive and liberal organizations have been slow to see the new scenario in which conservatives wield much congressional power and strongly influence the White House agenda (including when Clinton was in the White House). They are not thinking and acting the way the conservatives did after the Goldwater defeat. Instead, they have been very slow to forge a central vision (or visions) that can elicit support from the large middle class. Their basic belief in grassroots democracy, in the soil of which 1,000 flowers shall bloom, continues to hamper the coming together that may be necessary to successfully combat the bold conservative vision that has shaped much of our public policy since 1981. The conservative vision may be reducible to nothing more than less government, lower taxes, and more money in private pockets, but it has captured a substantial portion of the population.

At first, mainstream and progressive foundations took no action, preferring instead to think about what was happening and, in some cases, to study the new situation. Slowly they have emerged from their backrooms, but their thinking still remains where it was before the conservative takeover of Congress and the presidency. They still believe they have leverage over public policy and that they are smarter than any organizations in the field. However, a new, holistic progressive vision that includes the middle class cannot be forged unless existing nonprofit organizations get together to talk, think, coalesce, and conceptualize this new vision (or several). Unfortunately, stimulating this kind of dialogue is not an item on the agendas of most of the leading mainstream and progressive foundations, whose egocentric agendas remain encased in the old policy silos.

NOTES

1. Although this 2.7 percent proportion for liberal groups’ public policy grants exceeds that documented by Jenkins and Halcli (1.1 percent for “social movements” in 1990) and NNG (2.1 percent for “social change in 1997), it has to be recognized that “public policy” grants cover a much broader spectrum than the categories defined by Jenkins and Halcli or NNG.

2. It is interesting that the Foundation Center studies only corporate foundations, while NCRP reviewed grants by both corporate foundations and some other corporate giving programs. Also, the Foundation Center classifies only grants of $10,000 and up, while the NCRP studies classified all grants of $1,000 and up.

3. As a result of the Watts, Los Angeles, riot in 1967, the Brotherhood Crusade/Black United Fund was created in 1969 with the intent to replace the United Way as the solicitor of workplace contributions for the benefit of blacks in the city. The Madison Sustaining Fund in Wisconsin and The People’s Fund in Philadelphia were established in the early 1970s with the mission to become the primary collectors of local workplace contributions for social change organizations of any color. Additionally, in New York City, the Ms. Foundation was created in 1972 as the first modern foundation to focus exclusively on raising money for women and girls.

4. Moreover, after duplication is factored out of the NNG data, $279 million remains for private and mainline community foundations’ grants for social change. Thus, the alternative funding institutions’ $86 million in grants for social change (1998) is nearly one-third of what NNG records for all private and mainline community foundation grants awarded for social change (1997).
REFERENCES


Nonprofit organizations use a variety of techniques to influence the public, legislators, agencies, and elections; to promote public values; to evaluate policy options; and to leverage influence in the policy process.

Seminar 4 examined case studies and research on advocacy strategies for policy change in different settings, such as ballot campaigns, media campaigns, litigation, public mobilizations, and public program collaborations, with emphasis on how regulation structures organizations and political action. Attorney James Bopp discussed litigation strategies and their impacts on politics and regulations. Jonathan Krasno and Daniel Seltz, authors of *Buying Time: Television Advertising in the 1998 Congressional Elections*, discussed the recent proliferation of issue advertising by candidates, political parties, and interest groups, presenting their findings on “issue advocacy” in the 1998 elections. Attorney Gregory Colvin presented his findings on ballot measures and grassroots lobbying.

Seminar 4 also focused on evaluating effective advocacy. A presentation by Dr. Jeffrey M. Berry, of Tufts University, provided his perspective on how to measure the effectiveness of national public interest organizations. Susan Rees, the McAuley Institute’s director of policy and research, discussed her thoughts on being an effective advocate on limited resources. There were also presentations and discussions on using coalitions to affect social and political changes. The Urban Institute’s Betsy Reid presented her opinions on strategic coalition models. ACORN’s Jennifer Kern provided the day’s final presentation, relating her experiences with building coalitions for the National Living Wage Campaign.

Throughout the day, several roundtable discussions also took place among the participants. Several participants agreed that litigation is a useful technique because it accomplishes several goals. Most notably, litigating a prominent case brings media exposure to the issue under consideration. The general public has an opportunity, then, to learn more about the issue and bring their support to either side of the case. Litigation also helps to build legal defense around a law that is already in place. Some participants noted that a high-profile loss grabs public attention and support, which can be helpful the next time the case is brought to the courts (or could even facilitate bringing the case back to the courts).

The seminar participants also discussed several ideas for future research on the impact that issue advertising has on the political and electoral processes. Studies of the long-term effect of an ad campaign on public opinion about a specific issue should be included in advocacy research agendas. Likewise, it would be helpful to analyze the content of these ads, and determine whether interest groups use more extreme tactics and messages than the candidates or the parties do. The impact of these ads on candidates was also debated, with some people believing that ads sponsored by interest groups and political parties might overpower an individual candidate’s campaign, causing him or her to lose control over it.
Discussants considered the IRS spending caps on lobbying activities. It was argued that the IRS condones ballot measure activity by nonprofits, since expenditures for such activities count toward the higher $1 million limit for legislative activity and not the $250,000 cap on grassroots work. Some participants suggested that the lower cap on grassroots spending was in place because such activities are more threatening to lawmakers. Members of Congress, it was suggested, would rather have nonprofits bring their knowledge to Capitol Hill directly, rather than have their offices flooded with postcards, faxes, letters, and e-mail from the public. In general, many participants felt that the complicated regulations for tracking and reporting legislative expenses were a barrier to nonprofit political participation and that a simpler system was needed. Several participants mentioned the positive contributions that diverse civic voices bring to the political process and argued that the government should be doing everything it can to encourage nonprofit political participation.

Several participants also highlighted the fact that the most effective advocates usually focus on one or two specific issues and communicate regularly with lawmakers. Participants discussed the level of influence exerted by liberal and conservative groups. They considered that interest groups have become so ideological (i.e., the environmental movement being associated with the Democrats) that they are alienating people who support the group’s mission but not its party affiliation. It was also suggested that groups providing services for the poor hesitate to get involved in advocacy because they do not want to be categorized as liberal and consequently alienate supporters.
SEMINAR 5
Financing Nonprofit Advocacy
December 8, 2000

This seminar examined the ways in which nonprofit organizations fund their advocacy activities, as well as the role they played in the 2000 elections and how the federal government collects data on political expenditures. The seminar began with a presentation by Heather Booth, the executive director of the NAACP’s National Voter Fund, who coordinated that organization’s voter mobilization work leading up to the 2000 elections. The dynamic presentation by Heather Booth stimulated many questions about how the NAACP Voter Fund coordinated its 2000 election strategy. Ms. Booth addressed the relationship among the Voter Fund, the national NAACP, and their state chapters. She also described how the structure was created for issue ads and member mobilization. She stressed the importance of legal counsel for groups involved in highly visible campaign advocacy. Next, representatives from the Federal Election Commission, the Internal Revenue Service, the Urban Institute, and FECInfo.com discussed the various sources of data that are currently available on political expenditures.

Two speakers addressed issues related to the use of nonprofit organizations as vehicles for political expenditures. Marcus Owens looked at the ways in which elected officials can use the nonprofit sector for personal enrichment. Sara Miles made a presentation about the role the high-tech industry’s money has played in politics. The participants questioned whether PACs created by high-tech companies from Silicon Valley, commonly called PAC.coms, were different from other industry trade organization PACs. Discussion highlighted the non-economic values that PAC.coms brought to the table, such as their interest in environmental and social justice issues. A lunchtime discussion on how the IRS should regulate the nonprofit sector’s use of the Internet for lobbying and political activities featured the IRS’s Judith Kindell and Attorney Gail Harmon, of Harmon, Curran, Spielberg & Eisenberg.

The seminar also featured presentations on foundations and their funding strategies by J. Craig Jenkins and Robert Bothwell, with Charles Halpern of the Nathan Cummings Foundation serving as a discussant. Americans for Tax Reform’s Grover Norquist closed the day as he discussed funding strategies of nonprofits and political parties.

Some of the presentations prompted broad ideological debates and discussions. Several participants supported Bob Bothwell’s theory that the funding priorities and strategies of liberal foundations have created “vertical policy silos” within the liberal nonprofit community; this situation translates into a tendency for leftist groups to specialize in one specific policy area or program. In contrast, conservative foundations and nonprofits have worked more strategically to fund an entire broad movement for political change. Some participants agreed that the right has funded and built institutions, while the left has funded and built programs. Some speakers noted the current “market” that nonprofit organizations are operating in, citing devolution (and related increasing pressures to serve) as a major obstacle to an organization’s likelihood of having an advocacy agenda. Foundation staffs and trustees are usually
not drawn to funding advocacy because it is difficult to evaluate the outcomes of a general advocacy project. Foundation officials would rather fund projects that provide more scientific ways of measuring social progress.

Some common ground between the left and the right, however, was found as the seminar concluded. Participants lamented the possibility that the IRS may more closely regulate nonprofit use of the Internet to control the level of nonprofit engagement in political activities.
List of Seminar Attendees

Julio Abreu  
AIDS Action

Christine Ahn  
Georgetown University  
Georgetown Public Policy Institute

Steven Arkin  
Internal Revenue Service

Paul Arnsberger  
Internal Revenue Service  
Statistics of Income Division

Nan Aron  
Alliance for Justice

David Arons  
Charity Lobbying in the Public Interest

Margaret C. Ayers  
Robert Sterling Clark Foundation

Jan Baran  
Wiley, Rein & Fielding

Jason Beal  
Center for the Study of Elections and Democracy

Jeffrey Berry  
Tufts University  
Department of Political Science

Bob Biersack  
Federal Election Commission  
Data Systems Division

James Bopp  
Bopp, Coleson & Bostrom

Heather Booth  
National Association for the Advancement of Colored People

Elizabeth Boris  
The Urban Institute

Robert O. Bothwell  
National Committee for Responsive Philanthropy

Sherry Brady  
National Council for Nonprofit Associations

Lori Brainard  
George Washington University  
Department of Public Administration

Evelyn Brody  
Illinois Institute of Technology  
Chicago-Kent College of Law

Lisa Burford  
National Civic League

Gregory Colvin  
Silk, Adler & Colvin

Kent Cooper  
Federal Elections Commission

Carmen Delgado Votaw  
Alliance for Children and Families

Bob Edwards  
East Carolina University  
Department of Sociology

Eden Fisher Durbin  
YMCA of USA

Michael Foley  
The Catholic University of America  
Life Cycle Institute

Marion Fremont Smith  
Harvard University  
The Hauser Center for Nonprofit Organizations

Miriam Galston  
George Washington University  
National Law Center

Marilyn Gittell  
City University of New York

Kay Guinane  
OMB Watch

Richard Grafmeyer  
Joint Committee on Taxation

Charles Halpern  
Nathan Cummings Foundation

Bristow Hardin  
The Union Institute  
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Frances R. Hill  
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Marianne Holt  
Center for Public Integrity

J. Craig Jenkins  
Ohio State University

Debra Jennings  
SPAN of New Jersey

Jennifer Kern  
ACORN  
Living Wage Resource Center

Judith Kindell  
Internal Revenue Service

Jonathan Krasno  
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Jeff Krehely  
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Frances Kunreuther  
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Maria Montilla  
The Urban Institute  

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Public Citizen Litigation Group  

Sara Miles  
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Melissa Mueller  
U.S. House of Representatives  
Office of Rep. Lloyd Doggett  

Grover Norquist  
Americans for Tax Reform  

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Tracy Warren  
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Steve Weissman  
Public Citizen’s Congress Watch  

Louise Wides  
Federal Election Commission  
Information Division
Elizabeth J. Reid, of the Urban Institute’s Center on Nonprofits and Philanthropy, conducts research on nonprofit advocacy. Ms. Reid has 20 years’ experience in working with labor and community organizations, grassroots political education, leadership training, and involvement in civic and political affairs. She contributed a chapter on nonprofit advocacy and political participation to Nonprofits and Government: Collaboration and Conflict (Urban Institute Press, 1999). She served as national political director for the American Federation of Government Employees throughout the 1980s and taught courses in society and politics at the Corcoran School of Art in Washington, D.C., during the 1990s.

Maria D. Montilla is a research associate at the Urban Institute’s Center on Nonprofits and Philanthropy, where she studies nonprofit advocacy and its role, regulation, practice, and impact in the United States. Ms. Montilla has also researched the role that nongovernmental organizations play in advocating for poor children in Latin America, as well as the impact that grassroots associations have in encouraging citizen participation and fostering democracy in Latin American countries. Prior to joining CNP, Ms. Montilla was a graduate student at the Center on Philanthropy at Indiana University.
Jeffrey M. Berry is a professor of political science at Tufts University. He is the author of numerous books and articles, including *The New Liberalism: The Rising Power of Citizen Groups* (Brookings, 1999), winner of the Aaron Wildavsky Award for best book in the field of public policy. Mr. Berry is also the coauthor of *The Rebirth of Urban Democracy* (Brookings, 1993), recipient of the American Political Science Association’s 1994 Gladys Kammerer Award for the best book in American politics. He is currently the president of the Political Organizations and Parties section of the American Political Science Association.

Robert Bothwell is the founding director, president emeritus, and senior fellow of the National Committee for Responsive Philanthropy. As president of the organization, he created a national movement of “alternatives” to the United Way, initiated the first public examinations of community foundations and their responsiveness to the disenfranchised, and expanded disclosure of critical information by foundations and nonprofits to grantseekers and the public. Mr. Bothwell has consulted with several leaders of the nonprofit sector around the world on issues related to the United States’ philanthropic systems. His more recent work has appeared in numerous publications, including *Philanthropy in Europe*, *Voluntas*, and the international *Journal of Nonprofit-For-Profit Law*.

J. Craig Jenkins is a professor of sociology and faculty associate at the Mershon Center for International Security. His current projects focus on the politics of social movements, the development and impact of state economic development programs in the United States, and comparative analyses of political crises and regime transitions. He is author of *The Politics of Insurgency: The Farm Worker Movement of the 1960s* (Columbia University Press, 1985), *The Politics of Social Protest* (University of Minnesota, 1995), and numerous articles on social movements, movement philanthropy and political advocacy, and the politics of social change.

Jonathan Krasno is a senior research fellow at the Center for American Politics and Citizenship at the University of Maryland. He has written extensively on congressional elections and campaign finance, including *Challengers, Competition, and Re-election: Comparing Senate and House Elections* (Yale, 1994) and *Buying Time: Television Advertising in the 1998 Congressional Elections* (Brennan Center, 2000).

Jeff Krehely is a research associate at the Urban Institute’s Center on Nonprofits and Philanthropy (CNP), where he studies nonprofit advocacy and the role of the nonprofit sector in the U.S. public policy process. He has also worked in the Institute’s Income and Benefits Policy Center, conducting research on state welfare laws following welfare reform. Before joining CNP, Mr. Krehely was a graduate research fellow at the Center for the Study of Voluntary Organizations and Service, a research center within the Georgetown University Public Policy Institute, where he worked on an assessment of welfare reform’s impact on the nonprofit sector.

Marcus S. Owens is a member in Caplin & Drysdale’s Washington, D.C., office. Prior to joining the firm, he was employed by the Exempt Organizations Division of the Internal Revenue Service for his entire professional career and served as the division’s director for 10 years. In that capacity, he was the chief decisionmaker on design and implementation of federal tax rulings and enforcement programs for exempt organizations, unrelated business income tax, private foundation excise taxes, hospital reorganizations, college and university guidelines, political organizations, and tax-
exempt bonds. Mr. Owens also served as the IRS’s primary liaison with other federal agencies, Congress, and state regulators on exempt organization issues.

Susan Rees is the director of policy and research at the McAuley Institute, a national nonprofit housing organization. Before joining the McAuley Institute, Ms. Rees was an independent researcher and consultant to foundations and nonprofits, working with a variety of organizations, including the Rockefeller Foundation, the Union Institute, and the Center for Community Change. She is the author of *Effective Nonprofit Advocacy*, which was funded by the Aspen Institute’s Nonprofit Sector Research Fund. Ms. Rees served as the executive director of the Coalition on Human Needs from 1983 to 1992.

Daniel Seltz is the coauthor of *Buying Time: Television Advertising in the 1998 Congressional Elections* (Brennan Center, 2000). He also served as the Brennan Center’s project coordinator for this study. Mr. Seltz is currently a student at the New York University School of Law.
About the Cohosts

**Evelyn Brody** is a professor of law at the Chicago-Kent College of Law, Illinois Institute of Technology, and a visiting professor of law at Duke University. She is also an associate scholar of the Urban Institute, working on projects with its Center on Nonprofits and Philanthropy. Professor Brody teaches courses on tax and nonprofit law, and writes and lectures on a variety of legal, economic, and social issues affecting individuals, businesses, and nonprofit organizations. In 1994, Professor Brody taught a course on the tax treatment of financial products for the Taiwan Ministry of Finance, and in 1992 she served on the Clinton/Gore transition team (Treasury/tax policy). Between 1988 and 1992, she was an attorney/advisor in the U.S. Treasury’s Office of Tax Policy. Previously, Professor Brody practiced with Arnold & Porter in Washington, D.C., and with Michael, Best & Friedrich in Madison, Wisconsin.

**Frances Hill** is a professor at the University of Miami School of Law, where she teaches courses in taxation, bankruptcy, and commercial law. In June 2000, she testified before the Oversight Subcommittee of the U.S. House of Representatives Ways and Means Committee on legislation to require disclosure by certain Section 527 organizations that were not then subject to Federal Election Commission reporting and disclosure requirements. She is active in the American Bar Association Section of Taxation’s Committee on Exempt Organizations and is a member of the American Law Institute. Professor Hill speaks frequently on issues relating to tax-exempt organizations and has written extensively on the role of nonprofit organizations in electoral campaigns.